



History of Hundis Used in India

By
Anil R Bohora



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Introduction

This book provides a detailed history and usage of Hundis, which were a form of scrip used in India for quite a long time.

One early seventeenth-century French traveler to India, Mr. J. B. Tavernier, writes:

In this country when anyone wishes to transfer money to a distant place, without undertaking the risk of journey and expenses of conveyance, he delivers the money to a financier. The latter gives him a written paper, which is drawn on the place desired; and there the drawee hands over the money upon sight of that handwritten paper. That document they all know by the name Hundi.

While collecting and researching Hundis, it becomes very clear that Indian bankers were using a variety of innovative financial and credit instruments to facilitate trade and the movement of large sums of money across the subcontinent in a most secure and efficient manner, hundreds of years before the Western banking system.

Because of their flexibility, their extensive use, and the variety of Indian languages that were used to draft these Hundis, they have been little understood and always very confusing to the outside world.

I have already published 2 books related to Hundis—the first book, *“Catalog of Hundis Used in India,”* lists with photos of all the different types of Hundis that were used and details about the printing and usages of different types of Hundis that were used in British India and the Republic of India. The second book, *“Catalog of Hundis Used in Princely States of India,”* lists all the different types of Hundis that were used in the Princely States of India with photos. Both the books document some of the Hundis for the first time.

In this book, I have provided an overview of what the Hundis were and have compiled the history and usage of Hundis in India in one place for the general readers. This was quite a challenge, as more than a century has gone by without producing much written information about Hundis.



19th Century Indian Bankers at Work

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Hundis are perhaps the oldest surviving credit instrument in human history.

Kautilya makes a mention of an *Adesha Patra* in his *Arthashastra*, an ancient Indian treatise written in Sanskrit around the second century BCE about statecraft, economic policy, and military strategy. An *Adesha Patra* is an order on a banker asking them to pay the money of the note to a third person—which conforms to the definition of the Hundi.

Hundis were a financial instrument invented by Indian bankers and extensively used by all participants in the largest economy of the world at that time—large business houses, traders, local lenders, farmers, and even small shopkeepers in the local bazaars across the Indian subcontinent.

Hundis were used

- as remittance instruments (to transfer funds from one place to another),
- as credit instruments (to borrow money: IOUs),
- for trade transactions (as bills of exchange).

Hundis were issued by banks and financial institutions, but more importantly, by thousands and thousands of *sahukars* and *shroffs* and *sarrafs* who acted as local Indigenous Bankers, providing facilities for money transfer between cities, bill discounting, and lending, using their well-established and trusted networks—before the Western banking companies were established in British India and Burma.

A Hundi used as a Bill of Exchange (BOE) is an unconditional written order by one entity (the drawer) to another (the drawee) to pay an amount, either right away or on a set date, for goods or services received. Once the payee receives, accepts, and signs the bill, it then becomes a postdated check and a binding contract between the two parties.

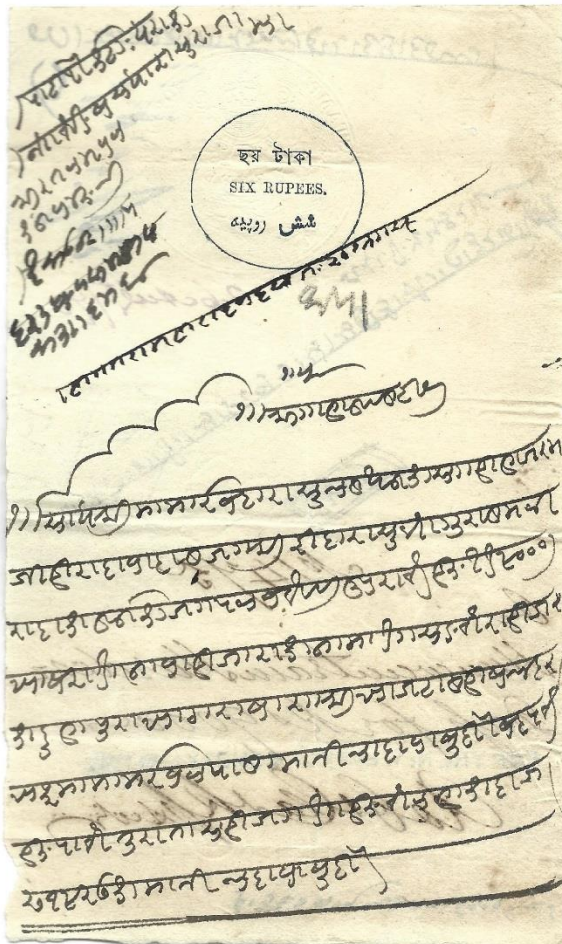
The word Hundi is derived from the Sanskrit root “Hund” meaning “to collect” and expresses the purposes for which Hundis were utilized in their original form. The word “Hundi” was spelled in many different ways, e.g., Hoondi, Hoondie, Hoondee, Hundee, Hundy, Hundwi, etc.



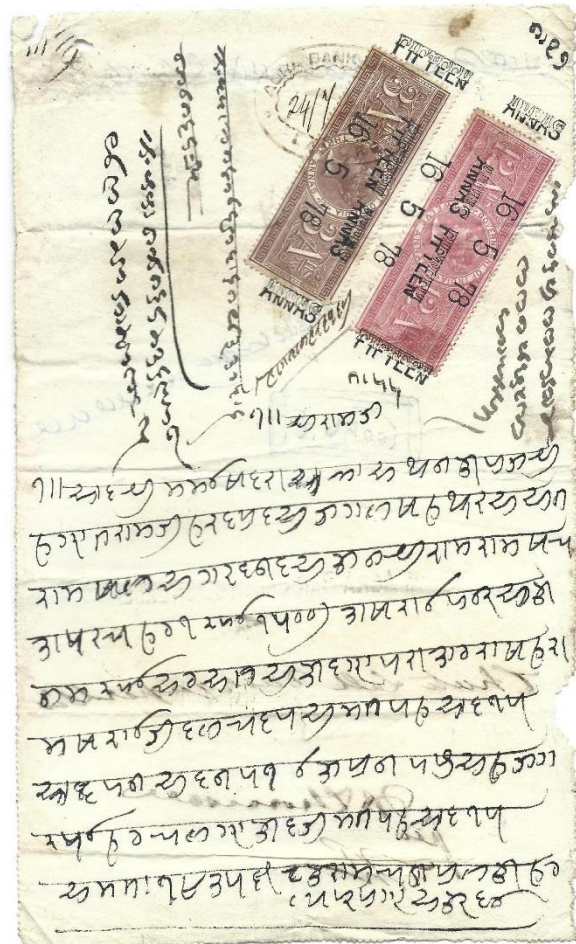
A drawing from old religious book with a text saying
“A Brahmin giving Narsinh Mehta’s Hundi written in the name of God to a Trader”

What Does a Hundi Look Like?

Hundis come in many different types and look very different from each other.



A Hundi written for Rupees 9000 from British India time with a stamp duty Seal of 6 Rupees



A Hundi written for Rupees 1500 from British India time with a stamp duty of 15 Annas paid by pasting two Queen Victoria revenue stamps

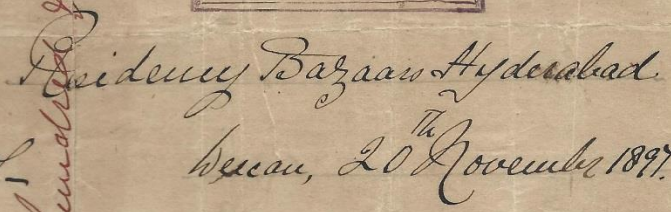


A Hundi written for Rupees 15000 from 19th January 1876 with a stamp duty of 9 Rupees paid by combining Hundis of one 6 Rupees and two 1 Rupee 8 Annas. After about 150 years, this should be equivalent of over 4 Crore Rupees (40,000,000 Rupees)



A Hundi written for Rupees 1000 from British India time with a stamp duty of 12 Annas paid using a pre-printed Hundi with an effigy of King Edward VII

132/13



On the fifteenth day from
this date, please pay to Refrs
Dehalet and Fomanchund
or order Rupees 2,500/- two-
thousand and five hundred
only for value received.

Cambridge
Federal Law for
Boulevard

For the Hyderabad Banking Company
24-1-1902
M. S. S. S. S. S.
 MANAGER.

5

Scale of Usage of Hundis in India

In 1924, the British Indian government estimated that inland trade aggregated above 9,000 crore rupees per year. A small part of this trade was carried out in cash (meaning coins). A much smaller portion of it was carried out with the help of joint stock banks. The rest was entirely done by the indigenous bankers through their crinkled, scrawled-over, blotchy pieces of paper called Hundis.

The census report of 1921 showed 993,000 persons identified their profession as Indigenous Banker engaged in the business of credit, exchange, and insurance, and an additional 243,000 persons noted working in brokerage, commission, and export businesses.

A considerable portion of land revenue from other parts of the country was sent to Calcutta; only a small part was transferred as coins while a large part continued to be remitted through the indigenous bankers using Hundis.

Speaking at the Institute of Bankers, London, in May 1881, Sir Richard Temple said the below about the popularity and extensive circulation enjoyed by Hundis:

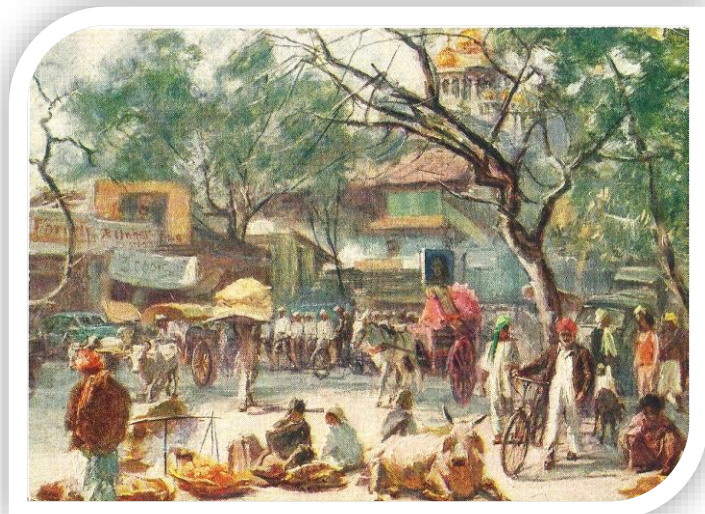
These hundys, I assure you, circulate from one end of India to the other, that is, from the Himalayas down to Ceylon, and some Native merchants can give you a draft upon any place in the world, upon Constantinople, upon the Levant, upon London, and now, I almost regret to say, upon New York, and they have long been able to do so upon San Francisco. Of course, the total amount of these hundys depends upon the internal trade, the value of which ... cannot be exactly estimated; but if I were to say that an amount of from **fifty to an hundred million sterling worth of these hundys must be in circulation in India at one time**, should hardly be guilty of any exaggeration.

These figures indicate that a large volume of banking business was being carried on by Indigenous Bankers using Hundis.

Uses of Hundis in Day-to-Day Life

Ancient India was a thriving place. Till about early 1800s, India was the world's largest economy!

In those days, India was governed by many princely states that each had their own monetary system. Paper currency, like the banknotes we consider as money, was not introduced in India until the 1770s, and was not readily accepted by the common people as money. Different coins made of gold, silver, copper and mixed metals, issued by the princely states, were the main forms of money used in daily transactions. Carrying and transferring large sums of money in the form of metal coins is not very easy, and thuggery was a part of life in medieval India. People found interesting ways to carry a large number



Indian Bazaar

of coins in somewhat secure manners—for example, a hollowed wooden walking stick filled with coins to carry during a long journey.

Because coins were hard to carry, there was considerable use of credit instruments, where the merchants gave letters of credit to one another for transferring large sums of money. Also, the exchange of various kinds of coins was an inevitable necessity because there was no uniform coin for the whole of India and different exchange rates were considered when changing one coin into another. Remember that historically, mercantile contracts in India were carried out largely by Hundis; in times of disturbance, these could be transported more safely from city to city than coins.

In Ancient India, this elaborate monetary transactional system based on credit and debit instruments was well established, having evolved over thousands of years. It formed the backbone of agriculture and commerce in India, which facilitated India's becoming the largest economy in the world. Indigenous Bankers were spread across India, with shops in every bazaar from small agricultural villages to the large trading cities of India.

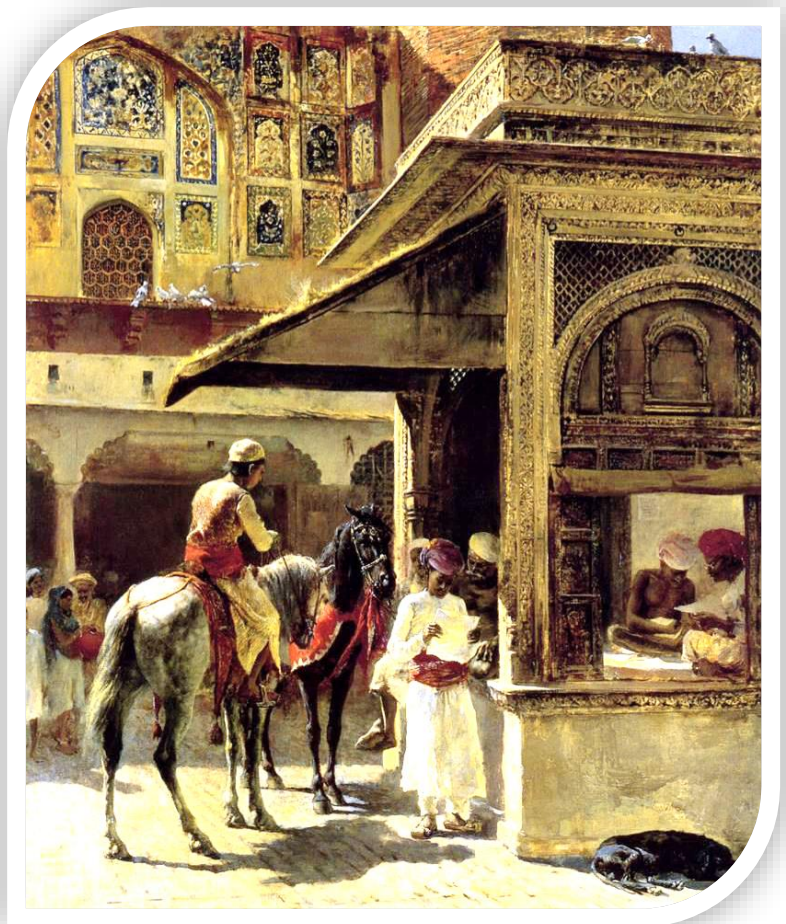
Hundis were used in almost all the financial transactions carried out in India.

Hundis are the documented pieces of papers, providing us historical reminder of the glorious past of the crucial role played by the Indigenous Banking in the daily lives of a farmer or a king.

Shreshtis

Almost all the internal and external trade in India passed through the hands of local Indigenous Bankers known as Shreshtis, who organized their businesses into guilds, associations, and partnerships to provide banking services across India. The Shreshtis were subdivided according to the wealth they managed: either Nagar-Shreshti, Jagat-Shreshti, or Maha-Shreshti. They were regarded as important assets to the kingdom of a princely state. They had their branches spread across India in different Princely States that each issued their own coins as currency.

The continuous back-and-forth flow of money across India was enabled by the Hundi system. Indigenous Bankers were engaged in the business of purchase, sale or discount of Hundis either through their own branches or through their agents.



Bankers of Ancient India by Edwin Lord Weeks (1849 – 1903)

Kings & Queens

The rulers of princely states used the services of the Indigenous Bankers extensively in the day-to-day functioning of a kingdom as well as during times of conquest.

Whenever military expeditions were planned, Indigenous Bankers were an integral part of the contingent. They provided services like distributing payment to the army and purchasing rations and other supplies on the way using Hundis drawn at different towns across India.

In the *Muntakhab-ut-Tawarikh*, it is mentioned that “Seth Bhagwandas sent Rupees 10,000 through a Hundi from Delhi to Monghyer to the Mughal Army.”

Also, when required, Shreshtis provided loans to the kings. Maharaja Surat Singh of Bikaner took a loan of more than 400,000 rupees from Seth Mirzamal Potedar Churu in 1827, for which he provided a Hundi to Seth Mirzamal assigning income generated from various sectors in his kingdom.

Often, the members of royal families, including the queens, would borrow money in the form of Hundis from the local bankers to finance their personal needs.

Cross-Country Traders

Cross-country trade flourished in India with the advent of Hundis. As per the records of the Dutch East India Company, in 1661, the Dutch Company factors at Surat bought a Hundi from a local *sarraf* Mohandas Naan drawn on Masulipatnam for 50,000 rupees. The terms of the Hundi included the stipulation that it would be cashed twenty days after the arrival at Masulipatnam from Bengal on one of the ships of Mohandas called Surat Furza.

The above example makes it abundantly clear that the system of cashless payment had acquired an extremely sophisticated and mature stage in ancient India.

State Administrators & Officers

It was a common practice to send the money required by high-ranking officials posted at distant places via Hundis. In 1665, a sum of 8,002 rupees was sent to the high-ranking official Kunwar Ram Singh of Jaipur state as 5,500 rupees in cash and a Hundi for the remaining 2,502. Similarly, in 1698, Rabhesur Narain Das Gujarati sent 20,000 rupees to the prince of Kachhwaha using a Hundi (*Reference: Ambar Records of Jaipur State*).

Traveller

In the book *The Six Voyages of John Baptista Tavernier* (1678), the French gem merchant and traveller Tavernier says:

In India a village must be very small, if it has not a moneychanger, whom they call shroff, who acts as banker to make remittances of money and issue letters of exchange. General Shaista Khan at once commanded his treasurer to give me a letter of exchange on Aurangabad. At which I was very glad, because it was a place through which I had to pass in order to go to Golkunda and which, moreover, spared me the carriage of and risk to my money. The following day I received my letter of exchange and took my leave of the Prince; ... To return to my payment, having arrived at Aurangabad, I went to seek the grand-treasurer, who had never previously seen me, but he knew wherefore I came to see him, and he had already drawn from the treasury the money which he was to pay me.



John Baptista Tavernier

Use of Hundis in Mecca and Madina

A question was asked at Legislative Assembly on 9th Feb, 1931 that as a large number of counterfeit Indian currency notes were in circulation in Hedjaz and in consequence Indian pilgrims were feeling great difficult to cash genuine Indian currency notes, what is the British India Government doing?

One of the suggestion provided by the British India Government was as follows: “Various Indian mercantile firms have branches both in India and Jeddha and Hundis which can be cashed in Mecca and Madina are readily available.” So the pilgrims should carry Hundis rather than Indian currency notes.

Common People

Historian Sujan Rai Bhandari describes the use of Hundis in 1695-96 as follows:

If because of dangers on the routes, a person cannot convey sums of money to a near or distant place, the sarrafs take it from him, and give him a piece of paper written in the Hindvi Characters, without a seal of envelope addressed to their agents (gumashtas), who have their shops in the various towns and places throughout these lands; and this paper in the language of this country is known as hundi. The gumashtas of these honest dealers pay out the money, in accordance with that document, without any argument or objection, though the distance may be two hundred. It is still more wonderful that though that document is nothing more than a piece of paper, if its possessors wish to sell it at a place other than the one where payment is promised, it is sold for the sum that it specifies, and the purchaser, obtaining a small amount from the seller, receives the sum stated in it, at the promised place.

Farmers

The Indigenous Bankers advanced the required money to farmers at the time of planting, taking the expected crop as the security and then buying the produced crop and other farm produce like wool and ghee. Hundis were used to record these transactions.

The East India Company

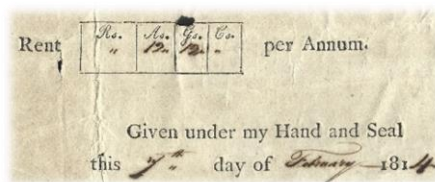
The East India Company had established its trading post at Surat in 1680, as Surat was a well-established international trading port at the time. Shortly after establishing their factory in Surat, the East India Company appointed Veerji Vora, a prominent Indigenous Banker of Surat, as their agent to avail the facility of using Hundis for their transactions.

In India, Hundis were continued to be used till at least 1989.

Monetary System of India

Cowries were used like coins in India as early as fourth century and continued until nineteenth century. Cowries were as important as gold in their time. Cowries circulated as money longer than any other single coin or paper money in history. Cowrie was the lowest denomination and Rupee was the highest. The conversion table is as below:

- 4 Cowries = 1 Ganda
- 20 Gandas = 1 Pie
- 12 Pies = 1 Anna
- 16 Annas = 1 Rupee



A rental agreement from 1814 showing rent in Rupees, Annas, Gandas & Cowries

Different Types of Hundis

There are different types of Hundis based on when the Hundi is paid and to whom.

Types of Hundis based on **WHEN** the Hundi is paid:

- A. **Darshani Hundi:** The Darshani (meaning “on sight”) Hundi is payable on sight. It must be presented for payment within a reasonable time. In concept, Darshani Hundis which were “Payable on Demand” acted like banknotes. These were the most common type of Hundis.
- B. **Muddati Hundi:** A Muddati (meaning “period of time”) Hundi is payable after a specified period of time or on a fixed specified future date. Sometimes this is also called a **Miadi Hundi**. The Muddati Hundi is similar to a Term Bill of Exchange. These types of Hundis were used for advancing loans or bill discounting; they show the amount advanced as the Hundi amount and the rate of interest charged. The accrued interest for the period from the date of issue till the due date would be deducted in advance.

The Muddati Hundis were sometimes classified according to the days for which they were drawn, usually in terms of 11, 21, 41, 51, or 61 days, up to 361 days. They were more frequently used in the Central Provinces (Bombay and Bengal) than elsewhere. In the Central Provinces, there were three accepted varieties: Iksathdini, with a term of 61 days; Eksovisdini at 120 days; and Baramasi for one year. In central India, the Muddati hundis were usually for terms of 45 or 61 days; in Bombay, 41 days; in the Punjab, 121 days; in the United Provinces, 61 or 91 days; and in Bengal, 61 days.

Types of Hundis based on **WHO** gets paid the money:

- A. **Shah-Jog Hundi:** A Shah-Jog (meaning “a respectable person”) Hundi is drawn by one merchant on another, asking the latter to pay the amount to a third merchant. A Shah-Jog Hundi is payable only to a Shah, i.e., to a known identifiable respectable banker or a person of repute in the bazaar, reducing the risk and making it safer than the other types of Hundis. A Shah-Jog Hundi requires no endorsement and can be transferred freely, similar to the modern cross order check.
- B. **Dhani-Jog or Dekhanhar-Jog Hundi:** A Dhani-Jog (*dhani* meaning “owner” and *dekhanhar* meaning “whomever you see”) Hundi is payable to the holder or bearer on sight, similar to the modern bank bearer check. The Dhani-Jog Hundi is payable to any person who is holding the Hundi, compared to Shah-Jog Hundi, which is payable only to a Shah, a verifiable well-known person.
- C. **Nam-Jog Hundi:** A Nam-Jog (meaning “specific name”) Hundi is payable only to the person whose name is mentioned on the Hundi. Such a Hundi cannot be endorsed in favor of any other person, similar to the modern bank demand draft.
- D. **Farman-Jog Hundi:** A Farman-Jog (meaning “order”) Hundi can be paid either to the person whose name is mentioned in the Hundi or to any other person ordered by the named person. So, Farman-Jog Hundis can be endorsed over from one party to another, similar to a bank check payable on order.

Other Types of Hundis based on other features:

- A. Jawabi Hundi:** A Jawabi (meaning “reply”) Hundi is used for transferring money from one city to another. The person who receives the payment has to send an acknowledgement in reply to the sender.
- B. Jokhami Hundi:** A Jokhami (meaning “risky”) Hundi is a conditional Hundi. Normally a Hundi is unconditional, but with a Jokhami Hundi, is conditional in the sense that the drawer promises to pay the amount of the Hundi only upon the satisfaction of a certain condition. Typically, a Jokhami Hundi is drawn for goods that are shipped via merchant vessel from one country to another as detailed on the Hundi. The money will be paid by the person who is buying the goods only after the buyer receives the goods in acceptable condition. If the goods are lost or destroyed in transit, the drawer or the holder of the Jokhami Hundi has to suffer the loss. The interests of the drawee of a Jokhami Hundi are thus carefully safeguarded, the risk of the loss of value in the transport of goods being transferred from him to the drawer, or the holder of the Hundi, who buys the Hundi with full knowledge of the risk. The buyer of such Hundis, therefore, acts as an insurance agent. Jokhami Hundis are similar to conditional foreign bills of exchange.
- C. Khaka Hundi:** A Khaka Hundi is one that has already been paid.
- D. Khoti Hundi:** A Khoti (meaning “false”) Hundi is one with a known defect or forgery.

Types of Hundis Used in South India

In South India, the Nattukottai Chettiar (or the Nakarattars, as they call themselves) established themselves as the major banking group during the period from 1870 to 1930. Their business interests spanned British Southeast Asia, including Ceylon, Burma, and Vietnam. The major Nakarattar financial instrument for all transactions was the Hundi. Nakarattars made use of four basic types of Hundi:

1. **Dharsan Hundis:** Literally meaning “sight,” these Hundis were payable within three days of presentation to a person and at a place specified in the Hundi.
2. **Nadappu Hundis:** Literally meaning “walking,” these Hundis were cashed in at the convenience of the banker (the drawee), whose only obligation was to pay interest at the *nadappu* rate (the rate established on the sixteenth day of every month at meetings of Nakarattar bankers in major business centers) to the person who drew the Hundi.
3. **Thavanai Hundis:** Literally meaning “resting,” these Hundis were payable after the specified date, usually sixty to ninety days after the Hundi was drawn. Their term to maturity was called a *Thavanai*, a “period of rest.”
4. **Pay Order Hundis:** These were used as receipts given in lieu of payments made. They were drawn against special compound interest-bearing accounts.

Functioning of Hundis

Advice of a Hundi

At the same time that a banker or merchant drew a Hundi on a correspondent in another center, they would send a *Nakal* (meaning “copy”). The *Nakal* clearly states the name of the drawer, the amount payable, the name of the payee, and the time period. Unless such parameters were received and matched those stated in the Hundi, the Hundi would not be paid by the drawee, but is kept in suspense, called *Khadi* (meaning “standing”), for three days, during which time instructions were to be obtained from the drawer by telegram.

Additional Copies

If the original hundi (the “*Khoka*”) was lost, a second copy called a *Paith* was issued; if even the second one was lost, a third called a *Parpaith* was issued; and in the event that all three were lost, a fourth called a *Maijar* or *Panchyati* was provided. The last was so called because it was drawn by the Pancha (meaning “five selected leaders of the banker fraternity”) in the place of issue.

Dishonoring a Hundi

Dishonoring a Hundi was an event of rare occurrence. If Hundis were not honored on their due dates, the drawers were considered bankrupt. The drawee of the Hundi may, however, refuse to accept it if they did not hold any deposit for the drawer or no arrangement had been made for the acceptance beforehand. When a Hundi was so invalidated, it would be sent to an Indigenous Bankers’ Association at one of the main business centers such as Calcutta, Bombay, Madras, or Cawnpore—which puts its seal on it to certify the Hundi. The Hundi was then returned to the drawer, who would have to pay special charges called *Nikrai Sikrai* at a rate of one rupee per Hundi, irrespective of the amount for which it was drawn. The drawer was also liable for this penalty if the Hundi was returned for some irregularity in its drawing.

Endorsement & Discounting of Hundis

After drawing a Hundi, it could be sold at the current rate of discount, called the *Hundiyana* or *Hundiyavana*. A Hundi could be discounted and rediscounted any number of times, traveling to distant places in the country, tracked by endorsements at the back, before it was finally collected on the due date. The discounting of a Hundi is called *Sakarana*. For an example, a person holding a Muddati Hundi for 100 rupees that is due after 90 days will receive the cash after 90 days, but if they need immediate cash, they can sell the Hundi to the local banker at a discount and collect 94 rupees immediately. The local banker can hold the Hundi till its due date to collect the 100 rupees or sell it again at a discount before the due date. The typical *Hundiyana* rate would have been 6 to 9 percent.

Hundi Rates

The “bazaar rate” is the rate at which the Hundis of small traders would be discounted by local Shroffs. Bazaar rate of discounts were largely determined by the customs and conditions of the local bazaars.

A sudden abundance or shortage of funds in a given city at one point in time could bring about a great fluctuation in the discount rate on Hundis between that city and other cities.

The Imperial Bank of India used to provide the rate at which the Imperial Bank would discount three-month-term Hundis issued by most reputable business houses.

Sometimes, the Hundi was drawn in one currency, but the customer expected to be paid in another currency. At such times, the drawee would charge the customer a small commission called a *Batta*, which varied from 1 to 2 percent, for the difference between the two currencies.

Languages Used to Write a Hundi

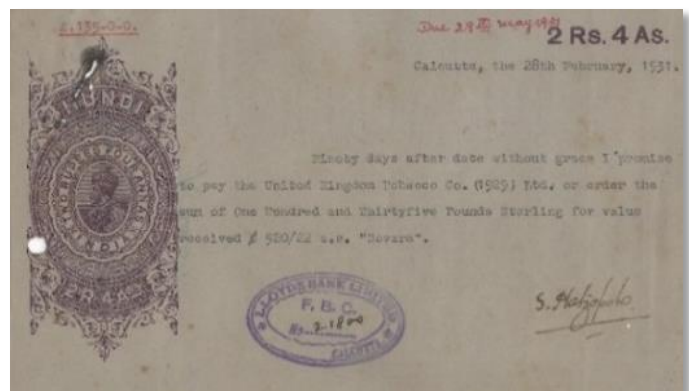
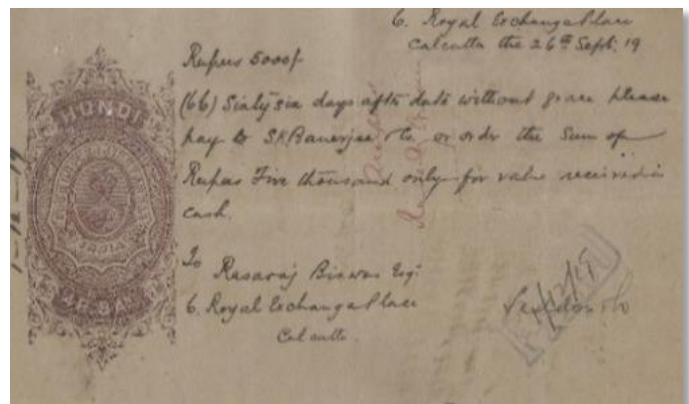
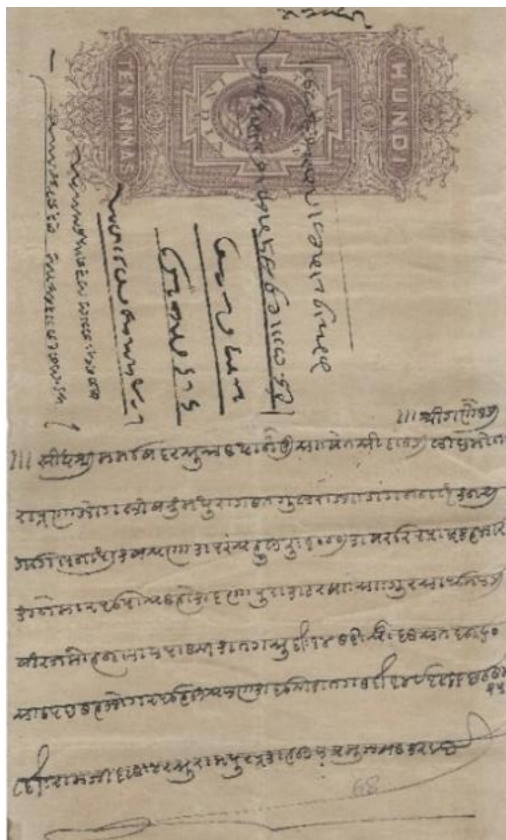
In British India, the business houses of Marwari, Gujarati Baniyas, Multani, Sindhi, and Chettiar were involved in the business of Hundis.

Before the reign of King George V, almost all the Hundis issued were written in local languages.

In British Burma, the most common languages used for writing Hundis were Tamil, Gujarati, and Chinese.

The Hundi-issuing houses had specially trained people to handwrite and read these Hundis. None of the handwritten Hundis show any scratched words, which could add risk of fraud. These Hundis are handwritten in consistent flowing script. The ink used to write these Hundis has not faded even after over one hundred years.

As the Western banks started their operations in India and as the interactions and interdependence of local Shroffs and the Western banks increased during the reign of King George V, most Hundis started to be written in English. As time progressed, handwritten Hundis were replaced by typed Hundis.

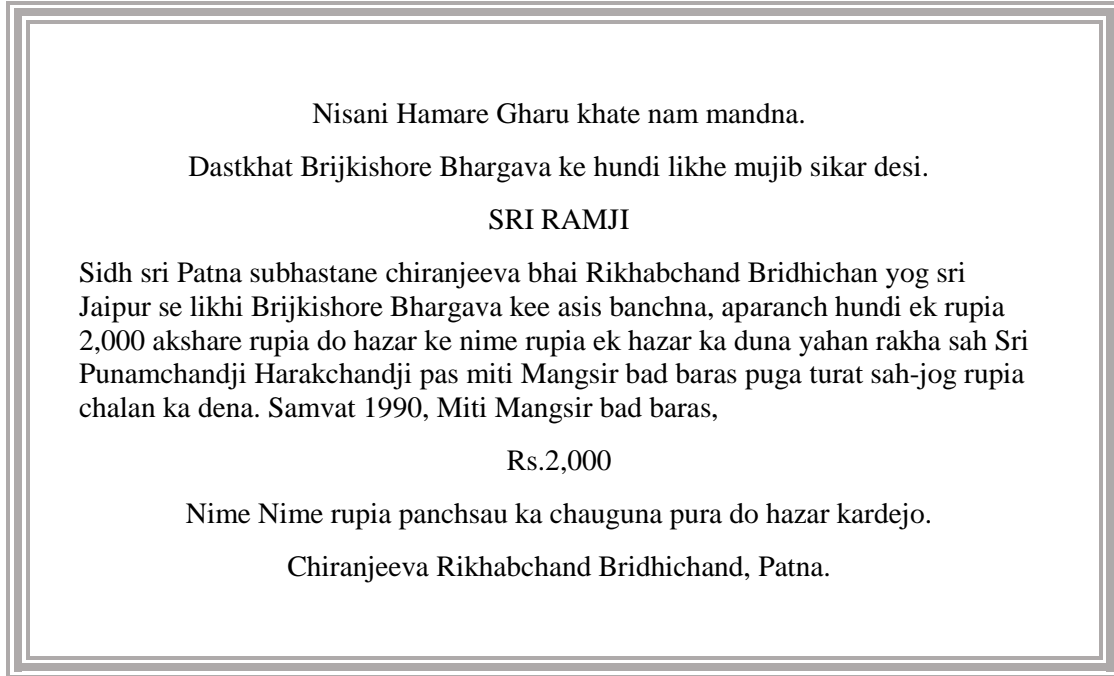


The dates on handwritten Hundis issued by indigenous bankers used the **Vikram Samvat** calendar format, which is generally 57 years ahead of the Gregorian calendar, except during January to April, when it is ahead by 56 years.

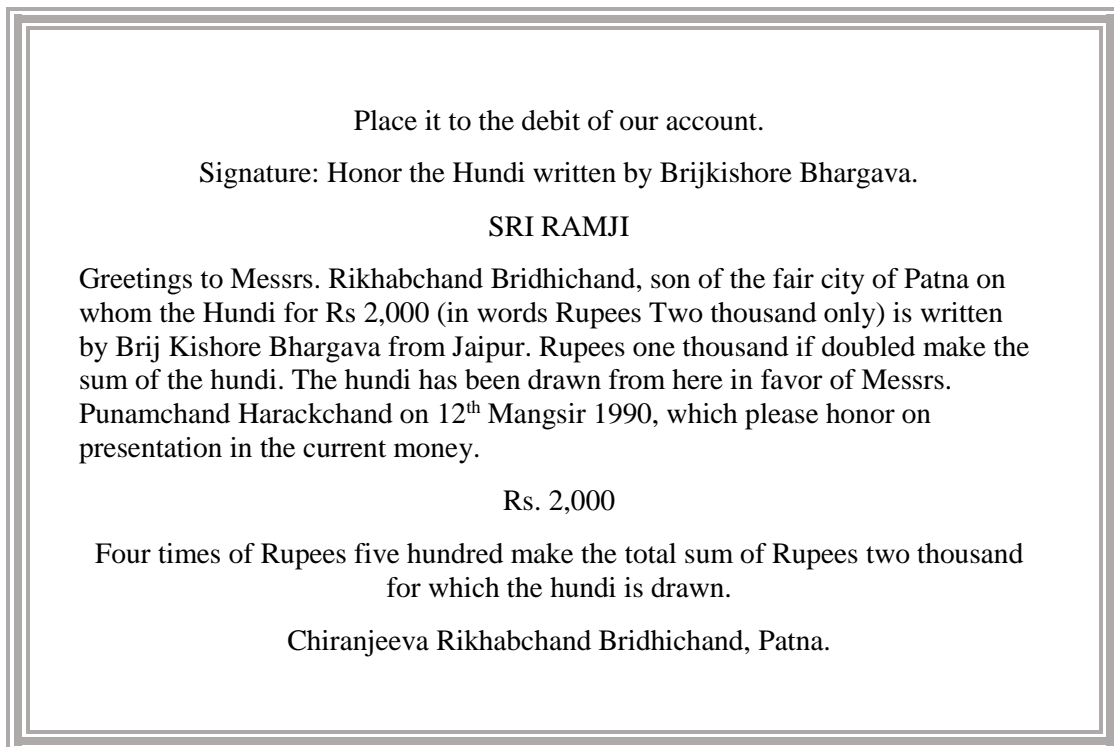
Typical Hundi Text

A] Darshani Hundi

Below is a representative vernacular text of a Darshani Hundi



Translation of the above text:



Example of translated text of a Muddati Hundi: Front side

SRI RAMJI

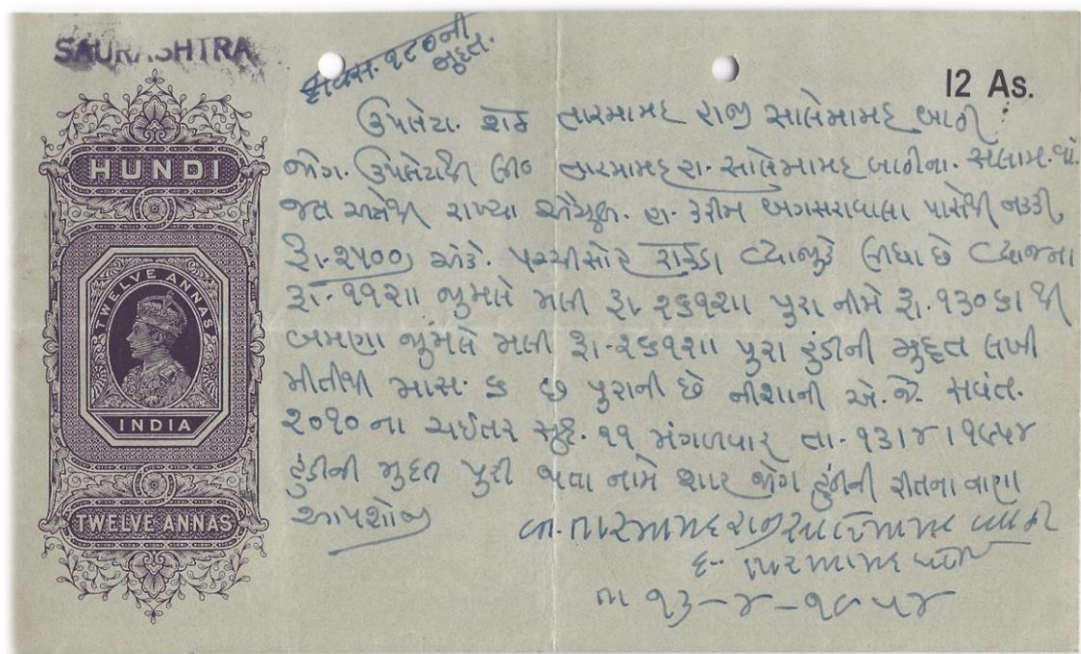
To the pleasant and prosperous town of Bombay, the abode of merit (therein to) Bhai (brother) Manna Lai Karodi Mal, written from Bombay by Ram Prasad Uttam Chand, whose greetings you may be pleased to read. Further, a Hundi for R. 500, in words Five Hundred, twice of Rupees Two Hundred and Fifty, is drawn upon you in favor of Mool Chand Kesari Mai on Chait Sudi 12. Sixty-one days after this date, you will pay the amount thereof in current coin to the presenter after ascertaining his respectability, title, and address.

Hundi written on Chait Sudi 12, Samvat 1983

Example of translated text of a Muddati Hundi: Reverse side

One half of one half (one fourth) amount Rupees One Hundred and Twenty-Five
(is) four times full amount pay Rupees Five Hundred only.

Bhai Manna Lai Karodi Mal from Bombay



Example of a Muddati Hundi

Security Features

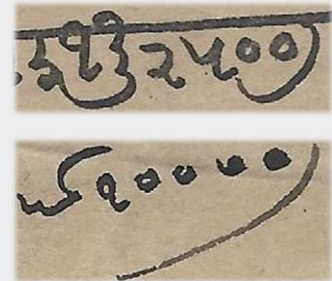
Throughout human history, financial documents have been subject to forgery. At any given time, the issuers of financial documents have devised many security features to avoid forgery.

Some of the security features used for Hundis are presented below.

Security Features to Avoid Tampering With the Hundi

Copy of a Hundi: At the same time that a banker or merchant drew a Hundi on a correspondent in another center, they sent a memo called a *Nakal* (meaning “copy”). The Nakal clearly stated the name of the drawer, the amount payable, the name of the payee, and the time period.

In the main body of a handwritten Hundi, the amount was written in numerals and in words. The amount in numerals was bordered on the left and right with special lines so that no numbers could be added to increase the value of the Hundi.



Also in the main body of the Hundi text the quartered and halved amounts of the Hundi total were written in words to make it easier to identify if the numerical amount has been changed, e.g., “Four times of Rupees five hundred make the total sum of Rupees two thousand for which the Hundi is drawn.”

On the back of the Hundi, the amount was written in numerals in a tight box so that no numbers could be added on the left or right to increase the value of the Hundi.



Security Features to Avoid Tampering With the Hundi

Stamp duty was paid as a percentage on the amount of the Hundi. So the value of the stamp applied was printed on the Hundi, making it harder to change the amount of the Hundi. For this reason, it was illegal to apply any additional stamps to increase the value of the Hundi.



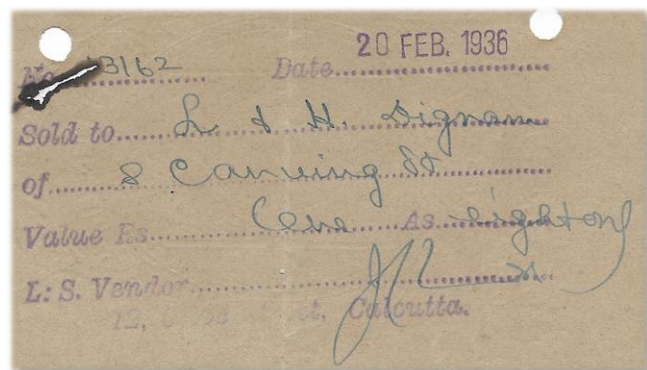
The date of issue was included on most embossed albino seals. Otherwise, an additional embossed albino seal with the date would be applied.

When the special adhesive stamps of Queen Victoria were used on Hundis, a date seal was always added.

The Congreve oval seal has the date of issue as part of the seal design.



On the back side of pre-printed Hundis, the date when the stamp vendor sold the Hundi was documented.



On Darshani Hundis, some of the issuers have used chop marks for identification and authentication of Hundis.



Example of Movement of Money in Burma Using Hundis

In Burma, money was distributed to the villages between December and March by the Chettiars, who bought the harvests. The farmers used most of this money to repay short-term advances they had taken the previous May, to pay for goods bought on credit during that period, to pay for wages, to buy cattle, to pay their land revenue, and to purchase other goods.

The Chettiars would receive money from local traders in exchange for Hundis drawn in Rangoon, with which the traders could pay their suppliers in Rangoon. Fresh advances from the Rangoon Chettiar to rural Chettiars were made to a considerable extent through the Imperial Bank of India and by telegraphic transfers on the local currency chests. (*Reference: Report of the Burma Provincial Banking Enquiry Committee, 1929-30*)

Historical Background of Stamp Duty in British India

The Stamp Act of 1765, passed by the British Parliament, imposed a tax on all paper documents in the British colonies. The act was intended to help replenish British finances after the costly Seven Years' War with France as the British Empire was deep in debt and was looking to its North American and Indian colonies for an additional substantial revenue source. The issues of taxation and representation raised by the Stamp Act of 1765 strained Great Britain's relations with the American colonies to the point that ten years later, the American colonists rose in armed rebellion against the British and declared their independence on July 4, 1776.

In India, the stamp duties were first established in Bengal in 1797 on all legal documents, such as contracts, deeds, conveyances, leases, powers of attorney, insurance policies, promissory notes, Hundis, payment receipts, bail bonds, and legal proceedings. This was done under the act known as Regulation 6 of 1797, Sections 16 & 21, which was limited in its extent to Bengal, Bihar, Orrisa, and Benaras.

In Madras, stamp duty was first introduced in 1808 on legal proceedings and then in 1816 extended to bonds, deeds, leases, mortgages, bills of exchange, and payment receipts.

In Bombay, stamp duties were first introduced in 1815.

The Indian Stamp Act of 1899 Governing Hundis

The British government, which ruled a large part of India and Burma, was always looking at different ways to collect additional revenue. The Indian Stamp Act of 1899 outlined the assessment and collection of revenue on various instruments through stamp duty.

Under the Indian Stamp Act of 1899, two kinds of stamps were used to indicate the payment of duty:

- (a) Impressed Stamps (pre-printed and issued by British Government)
- (b) Adhesive Stamps.

For Hundis, the Indian Stamp Rules of 1925 under the Indian Stamp Act of 1899 were as follows:

- Hundis that were NOT "Payable on Demand" were to be written on papers with an Impressed Stamp.
 - A Hundi payable other than on demand, but not at more than one year after date of sight, and for an amount not exceeding Rupees 30,000 in value, shall be written on paper on which a stamp of the proper value bearing the word "Hundi" has been engraved or embossed.

- A Hundi payable other than on demand for an amount exceeding Rupees 30,000 in value or payable at more than one year after date or sight, shall be written on paper supplied for sale by the Government to which a label has been affixed by the Collector of Stamp Revenue, Calcutta, or a Superintendent of Stamps, and impressed by such officer.
 - Every sheet of paper on which a hundi is written shall be not less than 8 $\frac{5}{8}$ inches long and 5 inches wide and no plain paper shall be joined thereto.
 - Where two or more sheets of paper on which stamps are engraved or embossed are used to make up the amount of duty chargeable in respect of any instrument, a portion of such instrument shall be written on each sheet so used.
- Hundis that were “Payable on Demand” could be written on any papers with an adhesive stamp.
 - Every other instrument chargeable with duty shall be written on any paper and adhesive stamp of the proper value to be pasted.

Some interesting sections of the Stamp Act are as follows:

- Under Section 12(2) of the Indian Stamp Act, “Any instrument bearing an adhesive stamp which has not been cancelled so that it cannot be used again, shall, so far as such stamp is concerned, be deemed to be unstamped.”
- Under Section 17 of the Indian Stamp Act, “All instruments chargeable with duty and executed by any person in British India shall be stamped before or at the time of execution.”

Hundis, were not covered under the Negotiable Instruments Act, 1881. The Act specifically says “*Local extent, saving of usages relating to hundies, etc. It extends to the whole of India ... but nothing herein contained affects any local usage relating to any instrument in an oriental language.*” Over the years many efforts were made to include Hundis in the Act, but without success.

Pre-Printed Impressed Hundis Issued by British India Government

The British Indian Government issued pre-printed impressed Hundis from the same printer who printed banknotes for many countries in the world. The paper had similar security features as banknotes, like a watermark, complex engraving, etc. The design of the Hundi had an image of the ruling monarch of the time: Queen Victoria, King Edward VII, King George V, or King George VI.

Distribution of Pre-Printed Hundis in British India

The British mode of distributing pre-printed Hundis, also adopted in India, was to appoint stamp paper vendors to sell the Hundis to the end users. The stamp paper vendors would provide a security deposit to the offices of the Collector of Revenue for the stock of Hundis they received and would then distribute them to the parties that required them. The stamp paper vendors received a commission as a percentage on the sales of the Hundis. The sale of these Hundis was strictly monitored and controlled. On the back of each Hundi was the name of the stamp paper vendor who sold it; the serial number of the Hundi was recorded, and a register was maintained by the vendor for audit purposes.



Opium Hundis

Background

In the eighteenth and nineteenth centuries, the British East India Company had established an illegal opium trade, facilitating the export of opium grown in India to China. The British used the profits earned from the sale of opium to purchase such Chinese luxury goods as porcelain, silk, and tea, which were in great demand in the West.

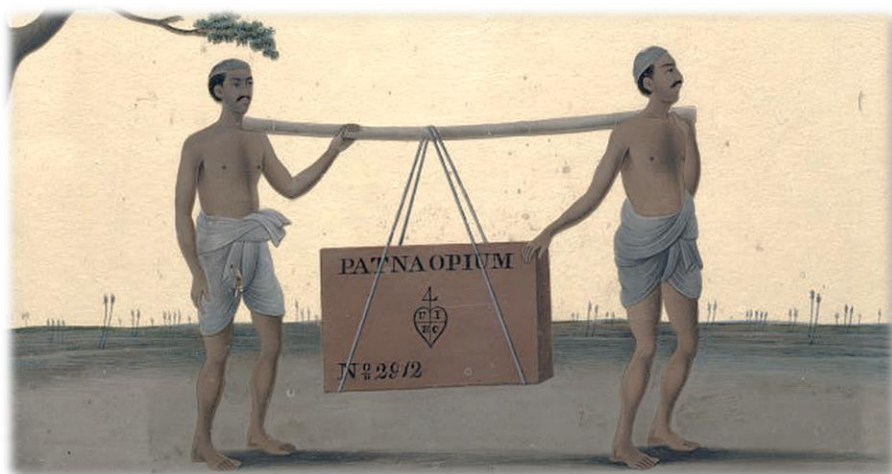
After the arrival of the British in India, in the 1770s, the British East India Company established India's first Opium Agents office in the Faizabad palace of Nawab Sajad ud Dawla. The British collected revenue from poppy farmers to whom they had allotted land parcels specifically for poppy cultivation. By 1773, the East India Company held a monopoly over all of the poppy cultivation operations in Bengal, Bihar, Benares, and Orissa. The East India Company introduced a system of contracts for dealing in opium, which were auctioned to the highest bidder. Under this system, cultivators were penalized if they did not deliver their entire harvest to the contractors. The farmers were paid a pittance; the contractors kept most of the profit.

In 1797, the East India Company introduced Bengal Regulation IV to enable the appointment of Opium Agents to purchase opium from cultivators and process it at factories owned by the company at Patna and Ghazipur.

In the 1820s, the East India Company began negotiations with the independent states of Central India and Rajputanas with the view to procure the entire opium production in this region for the East India Company. Soon after, the British East India company entered into treaties with the opium producing princely states such as Gwalior, Indore, Bhopal, Dewas, Ratlam, Sailana, Sitamau, Narshingarh, Jaora, Udaipur, Jhalawar, Kota, Tonk, and Baroda. Opium was allowed to be exported on payment of a duty from 125 rupees to 175 rupees per chest.

In 1830, Jardine-Matheson & Co. of London inherited India's opium trade from the British East India Company. The government of British India continued to collect taxes and levies on the opium trade.

Opium revenue was a substantial source of profit for the British Indian government. In the period from 1842-1880, opium revenue on average was 15 percent of British India's total revenue. From 1842-1859, opium made up 31.5 percent of all Indian exports. In 1834-35, the British India's opium revenue reached 1.25 million pounds, and in 1850-51, it exceeded 3.5 million pounds.



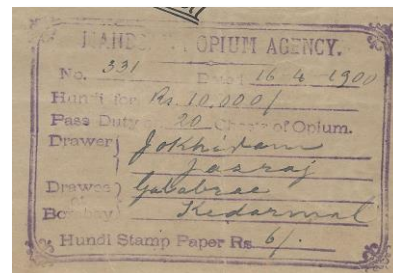
Opium Production in Patna (Victoria & Albert Museum)

Hundis Used in Opium Trade

Hundis were extensively used by the Opium Agents in the opium trade.

These Hundis could very easily be identified based on a specific hand stamp on the back of pre-printed British India Hundis. The hand stamp identified the

- Name of the Opium Agency
- Hundi Number
- Date of the Hundi
- Hundi Amount in Rupees
- Duty to be paid on the Number of Chests of Opium
- Name of Hundi Drawer
- Name of Hundi Drawee
- Hundi Stamp Paper Value in Rupees and Annas



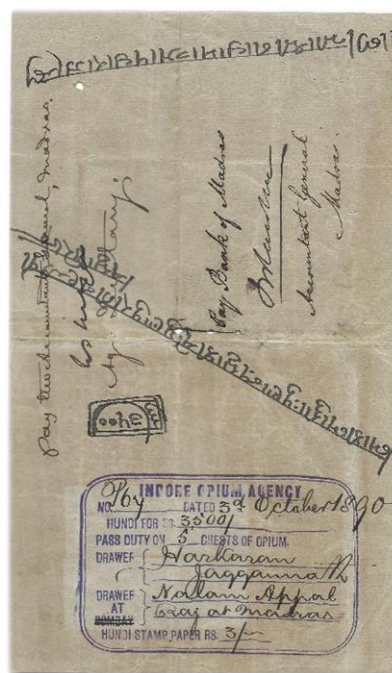
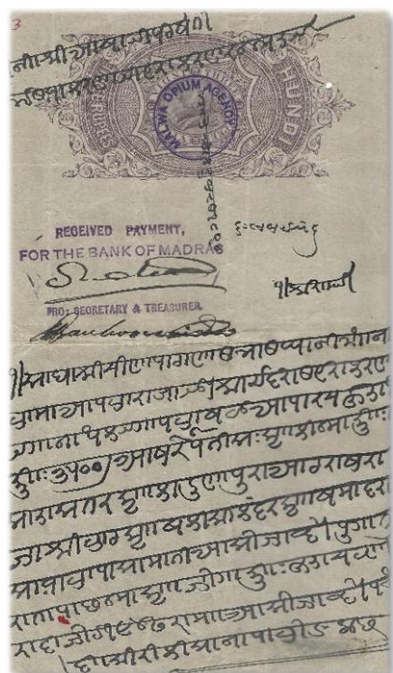
A list of known Opium Agencies that used Hundis in opium trade is as below:

- Chitorgarh Opium Agency
- Indore Opium Agency
- Malwa Opium Agency
- Mandsaur Opium Agency
- Rutlam Opium Agency
- Ujjain Opium Agency



The tax for Hundis used in the opium trade was calculated at the prevailing tax rate based on the value of the Hundi in rupees.

The Hundis used in the opium trade can be considered Jokhami Hundis because they were dependent on the delivery of the number of opium chests mentioned on the Hundi.



Multiple Hundis Connected Together

Often, during the World War I (WWI) era and in smaller towns, the exact required denomination of pre-printed Hundi was not available, in which case the available denominations were pasted together to reach the desired total.

As per the Indian Stamp Rules of 1925 under the Indian Stamp Act of 1899, where two or more sheets of paper on which stamps are engraved or embossed are used to make up the amount of duty chargeable in respect of any instrument, a portion of such instrument shall be written on each sheet so used.

Typically, two to three Hundis were connected together, but it was common enough to see three Hundis connected together to form the required denomination.

During the transition from one ruler to another, as the older stock of pre-printed Hundis was still available, one would often find pre-printed Hundis of “Queen Victoria and King Edward VII” or “King Edward VII and King George V” connected together.



New Value Overprinted on Existing Pre-Printed Hundi

The lower denomination pre-printed Hundis were always in high demand compared to the higher denominations. To address this demand–supply mismatch, The Controller of Printing Office at their Calcutta Press would cross out the amount of a higher denomination and then overprint with the lower denomination to meet the desired demand for lower denomination Hundis.

This practice is confirmed as per the letter dated 21st January 1901 from Finance Department of Government of India to The Controller of Printing, Stationary and Stamps, Calcutta, India to convert Hundis of 10 Annas into 6 Annas and 1 Rupee into 12 Annas to meet the demand.

The authenticity and historic practice of this overprinting can be confirmed by correlating the value of the Hundi and the modified Hundi denomination. They seem to match as per the prevailing Hundi tax rates of the time, validating our understanding of the history of the overprinting.



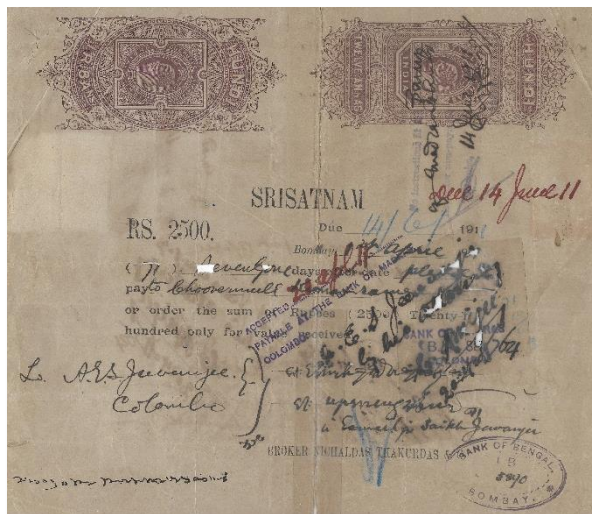
Cross-Country and Cross-Currency Hundis

The extensive use of Hundis and the ubiquitous acceptance of Hundis across the Indian subcontinent made them quite popular with foreign traders and Western banks that operated in British India.

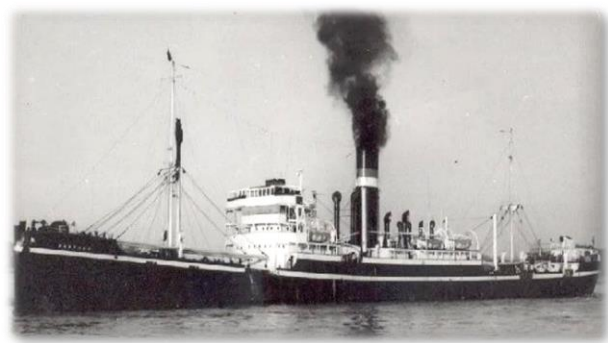
Hundis were used in undivided India, Burma, Ceylon, Afghanistan, the Strait Settlement, South East Asia, Zanzibar, what is today the United Arab Emirates, and many other countries.

Around the time of King George V, large British business houses and British banks started using British India Hundis for their uses as well. Banks like Lloyds Bank Limited and large trading companies like United Kingdom Tobacco Co. used Hundis for moving goods on ocean liners like the SS *Bhutan*, SS *Markhor*, and SS *Novara*. These looked like Jokhimi Hundis.

Below is one example of a King Edward VII Srisatnam Hundi issued by the business house of Nichaldas Thakurdas & Company with a stamp from the Bank of Bengal, Bombay branch, payable at the Bank of Madras, Colombo, Ceylon branch, to one A. E. S. Jeevanjee. It also has a Ceylon duty stamp of King Edward VII (brown, 50 cents) and a green King Edward VII stamp (1 rupee) pasted on it.



Jokhimi Hundi denominated in British Pounds relating to chest number 425 carrying tobacco transported via the SS Markhor from Calcutta to London



Steam Ship (SS) Markhor traveling from Calcutta to London

Hundis with Banknote Serial Numbers

The Hundi was used for a long period of time to transfer large amount of funds from one location to another on the Indian subcontinent.

There are Hundis for values of rupees 2,500 and 5,000 from the 1920s. Rupees 5,000 would be worth about 1,250,000, i.e., 12 lakhs and 50 thousand rupees, in today's value. The amounts were very large.

Paper money was introduced in British India in 1861, at which point the usage and circulation of high-denomination banknotes (like rupees 500 and 1000) were very strictly controlled. For a long period of time, banknotes were issued and circulated in specific geographic zones called "circles," which encompassed the areas of Calcutta, Bombay, Kanpur, Karachi, Lahore, Madras, and Rangoon.

In this context, when a Hundi of rupees 5,000 was paid using five 1,000-rupee uniface banknotes in the 1920s, it was a prudent practice for the serial numbers of these banknotes to be recorded on the back side of the Hundi that was paid.

This Hundi from the year 1919 of rupees 5,000 has five serial numbers of 1,000-rupee banknotes recorded:

PC/53 18860

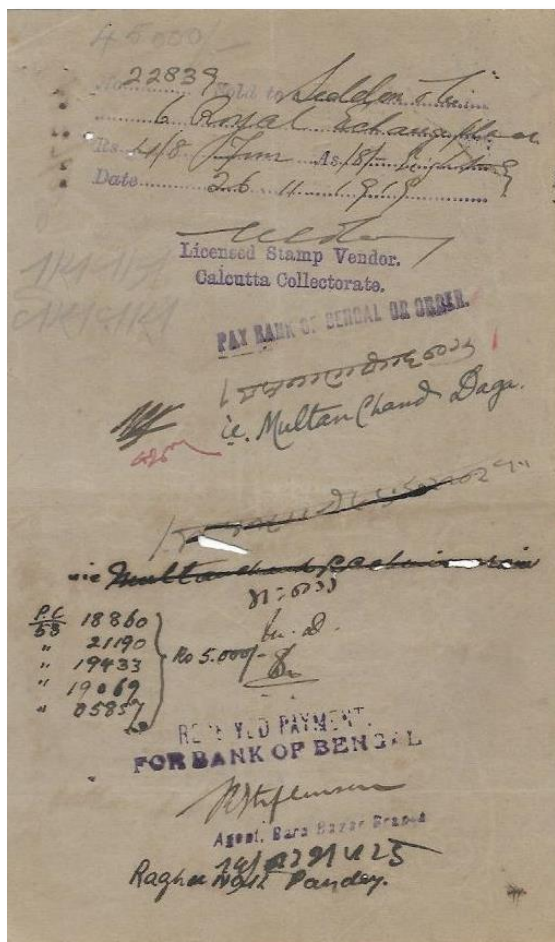
PC/53 21190

PC/53 19433

PC/53 19069

PC/53 05857

1,000-rupee uniface banknotes with the serial number prefix PC were issued in the Calcutta circle from 1872 to 1920.



Stamps Pasted on Pre-Printed Hundis

We can find many pre-printed Hundis on which extra stamps were pasted, for multiple reasons.

(A) To Increase the Denomination of a Hundi

The stamp duty charged on a Hundi depended on the type and amount of the Hundi. For example, a Muddati Hundi for the amount of 700 rupees would require a stamp duty of 7 annas to be paid using a pre-printed Hundi of 7 annas. But often enough, there would be no pre-printed Hundi in the exact amount of 7 annas available in any given town. In that case, the choices were to use a higher denomination Hundi (if available) and unnecessarily pay a higher amount of stamp duty or to use a lower denomination Hundi and apply additional stamps to increase the value and pay the exact amount of stamp duty. So, in the above situation, a Hundi of the denomination of 6 annas would have a 1 anna stamp pasted on it to increase the Hundi denomination to 7 annas.

Often enough, any type of available stamp would be used to increase the denomination of a Hundi, including revenue stamps, foreign bill stamps, postage stamps, special adhesive stamps, etc.



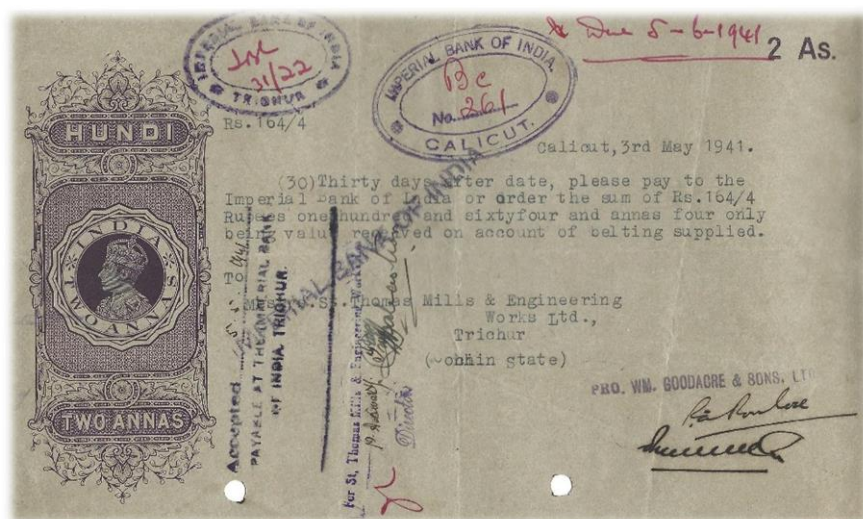
Example: A Muddati Hundi was written for an amount of Rupees 1,000. The stamp duty amount was to be paid was 10 annas; a pre-printed Hundi of 4 annas might have been available, which was used, and six general purpose QV 1 anna Government of India stamps were pasted to pay the stamp duty of 10 annas

(B) To Pay Additional Taxes in Case of a Cross-State Hundi

In the past, India was controlled by many different rulers at the same time, each with their own rules and regulations for the area they controlled. Despite this situation, India's trading community very effectively operated across the subcontinent. This necessitated cross-state Hundis, where the Hundi was initiated in one state and paid in a different state controlled by a different ruler. These cross-state Hundis attracted taxes in both states. In this case, a pre-printed Hundi from the state of issue was used and then, at the time of payment in a different state, the stamps required of that state were pasted on.

For example, a Hundi for 900 rupees was initiated in an area ruled by the British with a pre-printed 9 annas King George V Hundi and was paid in Jaipur state, where the required amount of Jaipur state stamps were pasted on this Hundi at the time of payment in Jaipur.

In case of Darshani Hundis, 1 anna stamps of two different states are used.

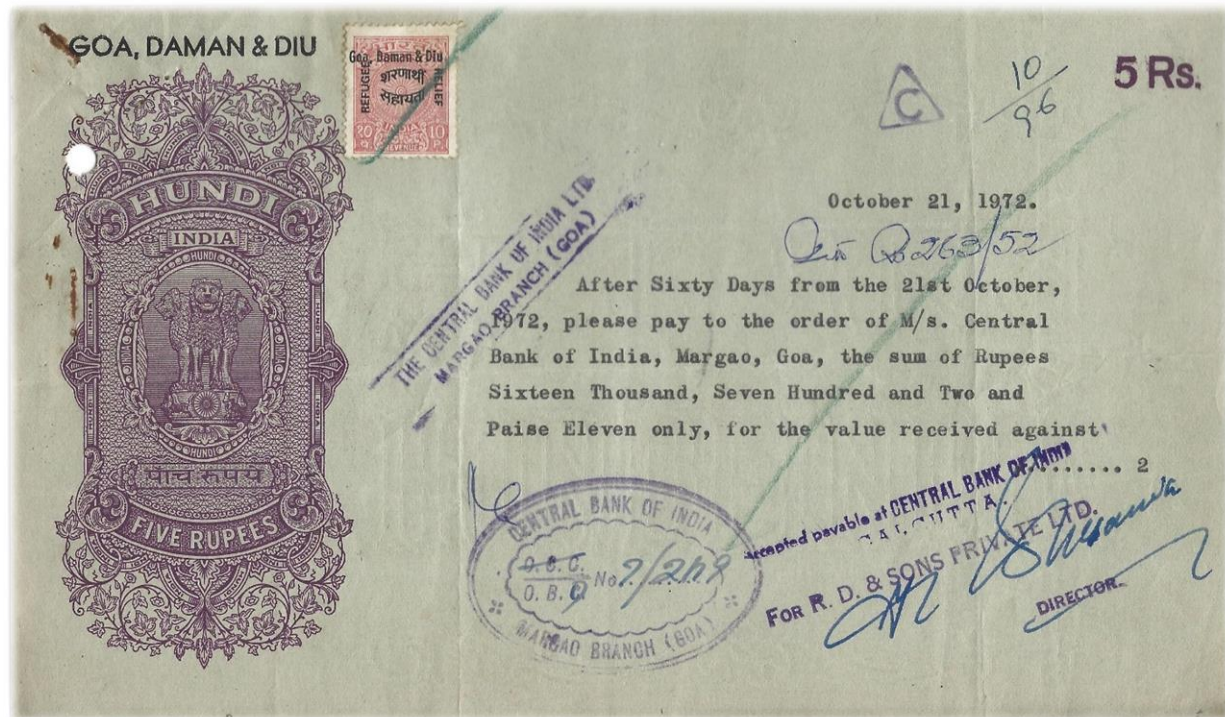


Example: A cross-state Hundi written for 164 rupees 4 annas in India ruled by British & Cochin, where the Hundi is written on a pre-printed KGVII 2 annas Hundi to pay the stamp duty of 2 annas to British India & a 2 annas stamp of Cochin is pasted to pay the stamp duty to the government of Cochin

(C) Extra Stamps Applied to Comply with Additional Government Regulations

Often enough, governments will come up with new regulations to collect additional taxes to address certain events. Historically, these taxes were collected by issuing special purpose stamps.

For an example, during war, to collect additional funds to address the refugee relief programs, special Refugee Relief stamps were issued for use on pre-printed Hundis as per the regulations of the time.



Example: A Republic of India Hundi used in Goa, Daman, and Diu from the year 1972, where a 10 paise Refugee Relief stamp is pasted

As can be seen from the above information, collectors of Hundis have quite the variety available to them to collect.

Hundi-Related Litigation

As with any commercial transaction, business disputes often arose regarding Hundis and were regularly heard in the British Indian court system. The nature of the litigation often related to lost Hundis being paid, Hundis being paid to the wrong person, not having enough cash to settle a Hundi's payment, etc.

Below is a partial summary of one such court case.

Bombay High Court

Dayaram Surajmal v. Chandulal Dayabhai and Others on 8 July, 1925

Bench: N Macleod, Coyaajee

The plaintiff alleged that he was a holder in due course of a shah jog hundi for Rs. 900, dated February 10, 1922, drawn by one Jaggannath Gordhandas of Poona on Joraji Deoraj, the second defendant Firm of Bombay, in favour of Venkatesh Ramchandra Shivnoor of Belgaum. The plaintiff transmitted the said hundi from Gulberga to his branch firm at Secunderabad. In the course of transmission to Secunderabad the said hundi was stolen by some person not known to the plaintiff.

It then came into the hands of the first defendant firm, who presented it for payment to the drawees, the second defendant firm. The first defendant received payment from the second defendant. The plaintiff claimed that the first defendant had no title to the hundi, and that the first defendant was bound to pay the same with interest as moneys had received for and on behalf of the plaintiff.

The plaintiff further submitted that the second defendant firm was not entitled to pay the amount to the first defendant firm as they had no title to the same. The plaintiff, therefore, prayed that the defendants be ordered to pay to the plaintiff the sum of Rs. 1,035 with interest on Rs. 900 at the rate of nine per cent per annum from October 10, 1923, till judgment, and costs of the suit.

We are not concerned with any other issues which were raised at the trial, except the issue whether the hundi was properly stamped. The Judge found on this issue that the instrument was unstamped, and, therefore, was inadmissible in evidence. The plaintiff's suit was then dismissed.

Hundis Issued by Some Banks and Prominent Business Houses

An extensive network of banking houses existed in India to connect commercial towns. They extensively used Hundis to facilitate financial transactions and provide required trade credit across the subcontinent. Almost all Hundi transactions worked on mutual trust and confidence, and without securities or facilities that were considered essential by British bankers. Family and religious networks and contacts were maintained and used to facilitate a large number of complex high-value transactions in a most efficient and speedy manner.

Just a few of examples of the prominent business houses that issued Hundis are documented below:

- **Tarachand Ghanshyamdas:** This was a Marwari (people who migrated from Marwar region of Rajasthan) business that operated from 1791 to 1957. It enjoyed such prestige and credibility that their Hundis were negotiable through multiple offices and accepted by moneylenders and traders across the country. The Birla family got its start in Calcutta as sub-agents to this firm. In 1870, they had offices in Kolkata, Mumbai, Amritsar, the Malwa opium belt of Madhya Pradesh, and elsewhere.
- **Jamnalal Bajaj:** He was prominent industrialist and freedom fighter. He was adopted as a grandson by Seth Bachhraj Bajaj of Wardha City. In 1926, he founded what would become the Bajaj Group of Industries.



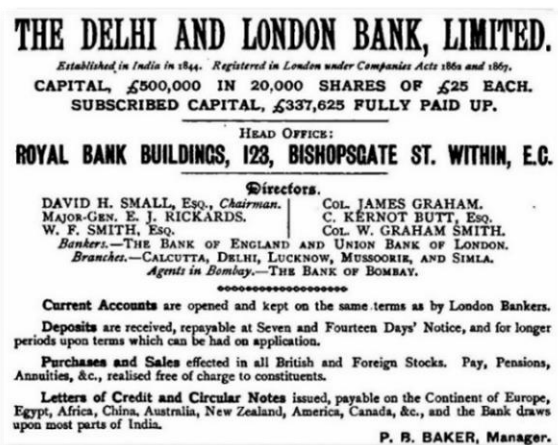
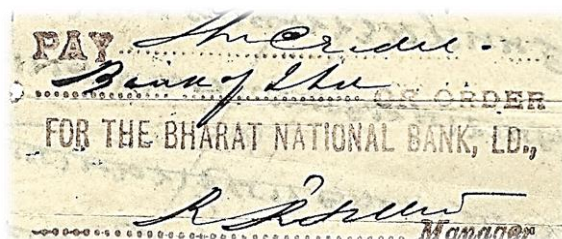
- Khetsidas Lachaminarayan
- Jokhiram Jasraj
- Veerji Vhora
- Nichaldas Thakurdas & Company
- Rai Bahadur Seth Sukhlall Chandanmull
- Mooltanchand Daga
- Bulchand Srikishendas
- Chidambaram Chettiar
- Paras Ram Kukda

Partial List of Indian Banks Involved in Hundi Transactions:

- Bank of Bengal
- Bank of Bombay
- Bank of Madras
- Imperial Bank of India
- Allahabad Bank
- Tata Industrial Bank
- Karnani Industrial Bank
- Punjab National Bank
- Bank of India
- Bharat National Bank
- Credit Bank of India
- Sangli State Central Co-Operative Bank Limited

Partial List of Foreign Banks Involved in Hundi Transactions:

- Lloyds Bank Limited
- Chartered Bank of India, Australia And China
- Hong Kong and Shanghai Banking Corporation (HSBC)
- National and Grindlays Bank Limited
- Mercantile Bank of India, London and China
- The Delhi and London Bank Limited

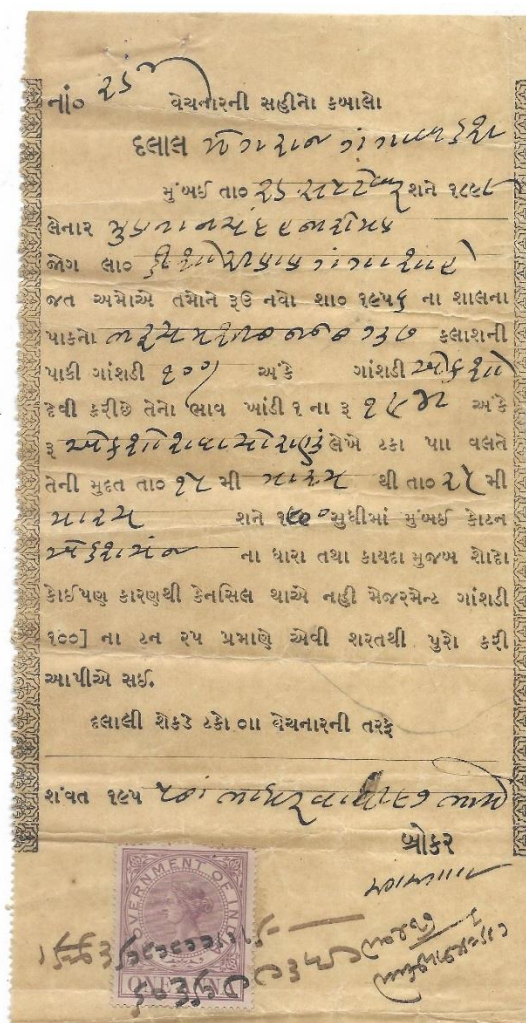
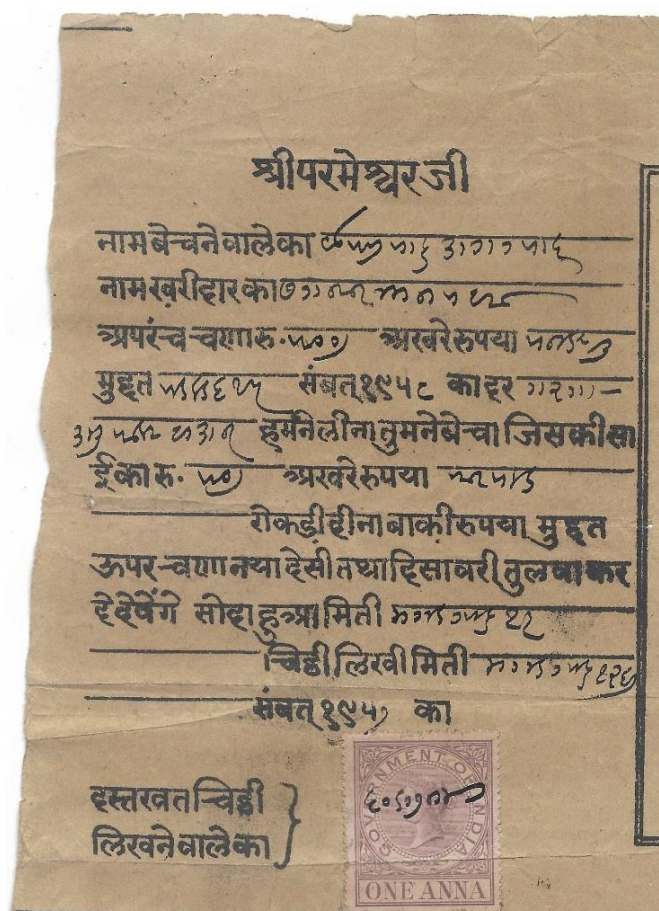


Additional Documents Used with Hundis

Sometimes additional documents were used to process Hundis.

Some of the known documents were related to the

- sale and purchase of a Hundi
- verification of a person by an agent/middleman
- processing of a Hundi by a bank
- translation of a Hundi into English



Different Varieties of Hundis

Variety	Information
Pre-Printed Hundis	Pre-printed Hundis of the Princely states of India are the Hundis which were pre-printed by the princely state and sold to the bankers to be used as Hundis so as to collect the required stamp duty.
Hundis With State Seal	Some of the princely states have used state seals instead of the pre-printed Hundis to collect the required stamp duty.
Hundis With Stamps Pasted	Most often revenue stamps, postage stamps or any types of available stamps of the princely states of India were pasted on the Hundis to pay the required stamp duty.
Multiple Pre-Printed Hundis Connected Together	Often the exact required denomination of pre-printed Hundi was not available, in that case the Hundis of the available denominations were pasted together to reach the desired total.
Pre-Printed Hundis With Additional Stamps Pasted	If a pre-printed Hundi of exact denomination was not available, then a lower denomination Hundi was used and additional stamps were pasted to increase the value to pay the required amount of stamp duty.
Hundis With Stamps Pasted of Multiple States	Cross-state Hundis attracted taxes in both states. In this case, the stamps of two states were pasted on the Hundi.



Use of Hundis Before British Rule

Very minimal information is available about the Hundis used in ancient India. Examples of Hundis from this period are almost impossible to find and catalog. This section provides some information that is available.



Maharaja Surat Singh of Bikaner took a loan of more than 400,000 rupees from Seth Mirzamal Potedar Churu in 1827, for which he provided a Hundi to Seth Mirzamal assigning income generated from various sectors of his kingdom

The Hundi system was operated both by individual bankers and big banking firms. The bankers were engaged in the business of purchase, sale, or discounting of Hundis.

The continuous movement of goods and services across various markets and the payment therefor was supported by an organized system of mercantile credit facilitated by Hundis. The Hundi merchants synchronized the supply and demand of money with cash advances and credit issuances.

Hundis were used to facilitate almost all types of financial transactions. The local revenue officials would often deposit the collected revenue amount with the local Hundi bankers, who would then transfer the amount to the destination using Hundis to avoid the risks involved in transporting coins. Hundis were also issued to meet the costs of local administrative expenses. Whenever the States were in financial crisis due to war, natural calamities like droughts, or mismanagement of state finances, they raised loans from the local indigenous bankers by means of Hundis.

State governments actively sought out bankers to establish and expand their businesses in their kingdoms and provided them all the required protection. Bankers in turn carried out their responsibilities related to providing finances to the state, businesses, farmers, and local people.

A book titled *Yaddashti-Dakhniyo-Ki* is available at the Rajasthan State Archives, Bikaner, India. This book has quite a few details about Hundis written by the Jaipur bankers as they transferred money to the Marathas on behalf of the State of Jaipur. Below is some of the information related to Hundis from this book.

There is a documented example of Jaipur state paying 505,000 rupees to the Marathas through the banker Dhanesar Das. Out of this amount, 342,000 rupees were paid in cash (i.e., in coins) and the rest was paid through Hundis (i.e., credit). A *hundawan* (commission) of 2,480 rupees was charged on these Hundis.

In the eighteenth century, Jaipur state had to pay tribute to the Marathas. Jaipur state used the services of the large bankers to write Hundis for these payments to the Marathas. These bankers were honored by the king.

Below is a partial list of Hundis referenced in *Yaddashti-Dakhniyo-Ki*.

Year (AD)	Hundi in Rupees	Merchants Who Issued Hundis	Hundi Receiver
1750	10,00,000	BalKisan Motiramji – Rs. 5,00,000 Ganesh & Sankara – Rs. 5,00,000	Malhar Rao Holkar
1752	11,10,000	Lunkaran Lachman Das – Rs. 8,00,000 Balkishan Motiramji – Rs. 3,10,000	-
1753	39,000	BalKisan Motiramji – Rs. 19,500 Paras ram Kukda – Rs. 19,500	Sita Ram Pandit
1754	15,00,000	BalKisan Motiramji – Rs. 2,00,000 Paras Ram Kukda – Rs. 1,00,000 Ramchand Pandit Rs. 4,00,000 Diwan Kanti Ram Rs. 4,00,000 Halpuri Rs. 4,00,000	-
1755	1,50,000	Paras Ram Kukda	Malhar Rao Holkar
1757	25,000	Seth Dhanesur Das	Jinkuji & Malhar Rao
1757	1,25,000	Seth Dhanesur Das	Raghunath Rao
1757	2,00,000	Paras Ram Kukda	Rahunath Rao
1757	9,30,000	Seth Dhanesur Das	Rahunath Rao
1757	2,79,500	Paras Ram Kukda – Rs. 2,00,000 Mahila Khazane – Rs. 76,500 Tipavani – Rs. 3,000	Malhar Rao Holkar
1758	30,450	Paras Ram Kukda	Malhar Rao Holkar
1758	1,19,500	Paras Ram Kukda	Malhar Rao Holkar
1758	3,00,000	Seth Dhanesur Das	Raja Har Sahay
1758	3,91,000	Paras Ram Kukda	Malhar Rao Holkar
1764	6,00,000	Seth Kevalram Sahukar	Malhar Rao Holkar

A large number of account books from the years 1740 to 1836 from the indigenous banking firm Dixit-Patwardhan from Pune City, India, are available at Bharat Itihas Samshodhak Mandal, Poona, India. As per these records, Dixit-Patwardhan received Hundis from Varanasi in the North, Siv Pattan and Narayan Peth in the South, and from many other places like Jainapur, Aurangabad, Bombay, Nashik, Paithan, Burhanpur, etc. Considering the state of transportation of that time, Hundis from distant places were received in a short time to Poona, e.g., a Hundi from Varanashi was received in Poona in 34 days.

The bankers charged a commission known as Hundawan for completing these Hundi transactions on behalf of their customers. The typical commission varied from 2 to 2.5 percent of the Hundi amount. While making the payment, the type of currency to be delivered was always specifically mentioned.

One interesting example that is mentioned in the account books of Dixit-Patwardhan is a Hundi of 1,100 rupees that was paid to Nana Phadnis for the revenue receipts from the village of Vijkede by Vamanji Hari on the 13th day of the month of Sravan (B). Nana Phadnis was a prominent minister and statesman of the Maratha Empire during the Peshwa administration.



Nana Phadnis

Dixit-Patwardhan had a large Hundi business. Just as an example, on one particular day, the Poona office sent Hundis worth about 17,909 rupees to the Bombay branch. The Hundi business earned them a large profit.

Below are examples of detailed accounting entries for Hundis.

Debit Nashik Shop A/C

Rs. 2,000	Hundi sent to Nashik along with Nimbaji courier. Addressed to Atmaram Navale and sent by Moro Vinayak and Trimbak Dixit Patwardhan. Period 13 days from Chaitra (S) 6 to Chaitra (B) 4. Bearer Rupees Arcot Ganjikot Nashik type. Paid Poona type currency.
Rs. 1,950	Apa Bhat Sharangpani paid cash
	Sent with Moro Ganesh Bhure
Rs. 50	Commission. Credited to Commission A/C

Rs. 2,000	Total

Rs. 575 Received Hundi (Marketable) *Pethchal* from Bhavani Shankar Raghunat of Kashi.
Paid cash to Krishnaji Naik Wakade.
Date of Dispatch Maragashirsh (B) 2.
Date of Payment Paush (B) 6.

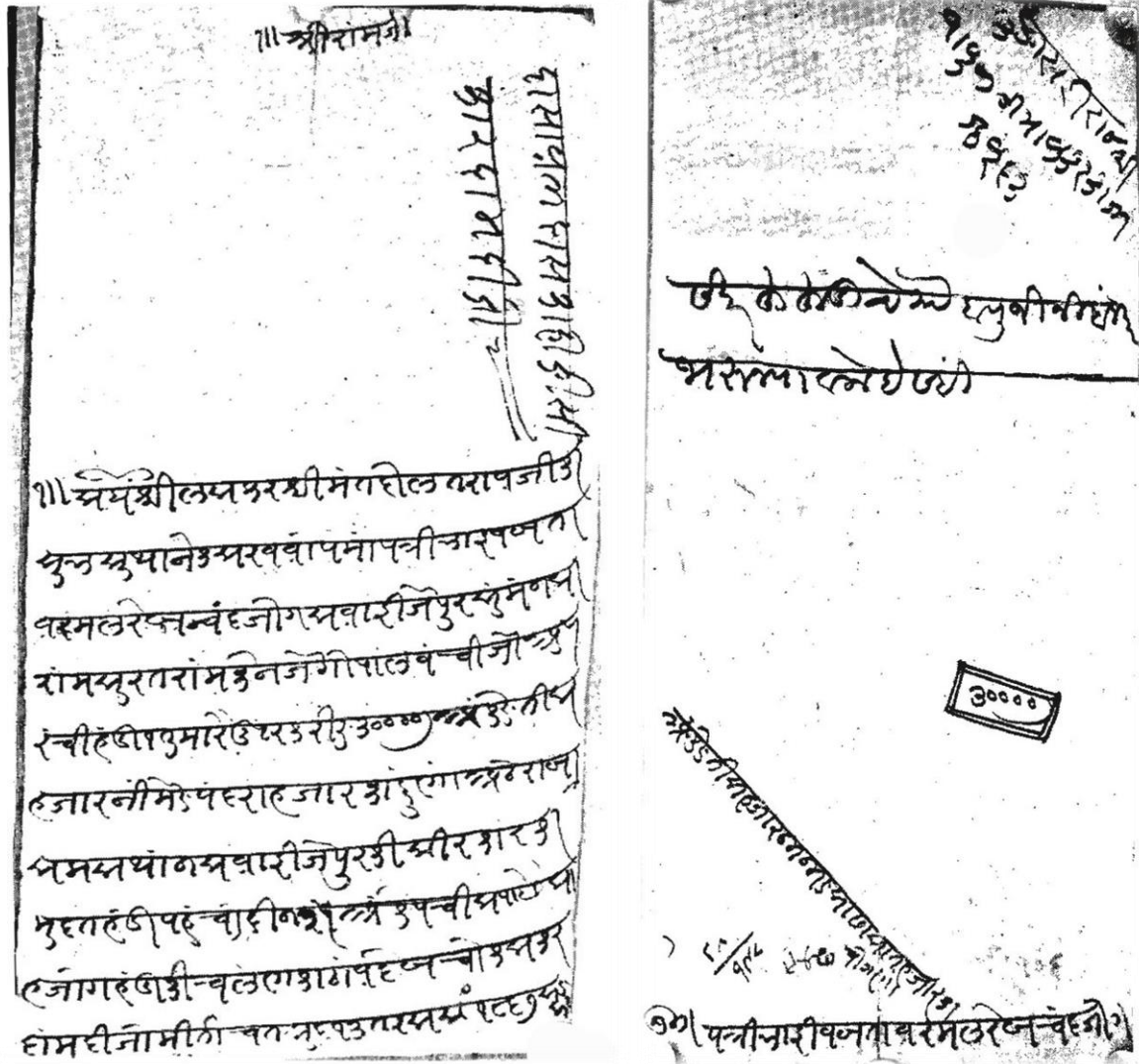
In case a Hundi was lost in transit, the money was paid on an endorsement. Below is an example of an account book entry for payment made for a lost Hundi:

Rs. 500 Hundi to be paid. It was sent *Pethchal* from Kashi addressed to Vinayak and Govind Naik Wakade. They have reported that the Hundi was lost. In view of this an endorsement was sent that if Krishnaji Naik Wakade had already received the money then well and good. Otherwise on production of this endorsement an amount of Rupees 500 *Halisikka* be given.

Hundi is not received. *Poonasikka* cash sent to the house of Krishnaji Naik Wakade.

(Reference: *Banking in the 18th Century: A Case Study of Poona Banker* by G. T. Kulkarni, Arth Vijnana, June 1973)

Use of Hundis during wartime was very common because they were the safest method for executing financial transactions during chaos and uncertainty. The below Hundi was drawn by Mansaram Suratrām upon Bakhtawarmal Rekhchand located at camp Daulat Rao Sindhia for the amount of 30,000 rupees, payable on behalf of Sawai Jaipur State to Daulat Rao Sindhia, the Maratha ruler of Gwalior. Seth Sanwaldas has signed in the right hand margin at the top of this Hundi. The date of issue is Chaitra Sudi 13, Vikram Samvat 1867 (i.e., 1810 CE). This Muddati Hundi was to be paid after 25 days. On the reverse side of the Hundi, an endorsement note in the Marathi language and Modi script state that on the date of Jyeshth Vadi 3, the Hundi was approved and the amount received by Bapuji Nimbalkar.



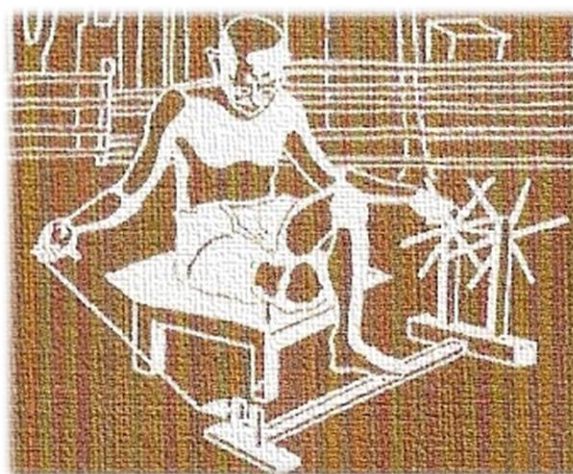
(Reference: Catalogue Of Historical Documents In Kapad Dwara, Maharaja Sawai Man Singh II Museum, Jaipur, India)

Khadi Hundis

Khadi is a Hindi word meaning any cloth handwoven or handspun from cotton. Mahatma Gandhi promoted the use of khadi in India to enhance the rural economy. Mahatma Gandhi turned a fabric into an economic, social, cultural, and political movement.

Before independence, during British occupation, because of continuous promotion by Mahatma Gandhi, many organizations promoting Khadi were established. But as per the Gandhian principles, these khadi organizations were not generating profit. Because of that these organizations were always short of business capital. As a result, they developed techniques for raising capital that would not interfere with their prior commitment to non-accumulation. One technique took the form of a Khadi Hundi, a hybrid currency-promissory note that could be redeemed only for khadi.

The origins of the Khadi Hundi can be traced to an Indian National Congress exhibition held in Calcutta in 1929. Exhibition organizers asked Gandhi to promote khadi at the exhibition in an effort to boost khadi sales. He agreed to sign receipts for individuals who made advance payments for khadi. That is, would-be customers paid their money in advance, received signed receipts from Gandhi in return and later used those receipts to purchase khadi. So eager were some attendees to obtain Gandhi's signature that, in the words of one source, "The response was instantaneous and stocks worth large amounts of money were sold." And most probably a large number of these Khadi Hundis signed by Mahatma Gandhi would never have been redeemed for khadi, providing a large capital to the khadi promoting organization.



Vithaldas Jerajani, known as Khadi King of Bombay, assumed charge of All India Spinners Association's Bombay sales depot in 1932. He remembers printing "tickets" ranging in value from Rupee 1 to Rupees 100 that customers could purchase with cash and exchange for khadi at a later date. Though he does not explain why customers found these tickets attractive, he reported selling 30,000 Rupees of them within the first week of their availability. Other khadi institutions quickly followed suit. Until 1953 and the formation of All India Khadi and Village Industries Board to oversee the khadi economy, individual institutions issued Khadi Hundis more or less as their own initiative. They sold Hundis on special occasions, such as Gandhi Jayanti also called Charkha Jayanti held on his birthday in October 2nd.

Mahatma Gandhi in a letter dated 6th September 1940 to Vithaldas Jerajani wrote that "*Khadi will have to depend on voluntary contributions. Khadi cannot be propagated in any other way.*" Khadi Hundis were used to achieve this. Khadi Hundis served multiple purposes, helping to stimulate public interest in khadi, clear accumulated khadi stocks, and most importantly, raise large sums of capital in relatively short periods of time. In this last sense, Khadi Hundis partially resembled their namesake, the Hundi.

In 1939, All India Spinners Association issued instructions related to the procedures to be followed when issuing Khadi Hundis and keeping records of their transaction. These instructions were developed by Mr.

Vithaldas Jerajani. These are archived at Nehru Memorial Museum and Library as All India Spinners Association Papers. Following are of some of those instructions:

- (1) Khadi institutions should contract with a reliable press to print their hundis along with a counterfoil for recording the name and address of the purchaser, the value of the hundi, and the date of the transaction;
- (2) Hundis should be serially numbered and a responsible worker appointed to enter them into a register;
- (3) Hundis should be “printed on hand-made paper in two or three colours block, and the form and colours be changed from time to time”;
- (4) Hundis should bear the signature of the secretary or agent of the branch that printed them;
- (5) The specimens of different sorts of hundis and the signatures of the persons authorized to sign the same should be previously supplied to the depots where the coupons are to be cashed;
- (6) Workers charged with selling particular hundis should sign their names in a register acknowledging receipt; and
- (7) As soon as a hundi is cashed it should be stamped as ‘cashed’ or ‘paid’ and sent to branch headquarters where the details should be recorded and signed by the responsible officers and then destroyed forthwith in their presence.



As it can be seen that most of these instructions were continued to be followed for a long time.

After gaining independence, the Indian government decided to continue promoting the production and the use of khadi in India. All India Khadi and Village Industries Board was established in 1953 for this purpose.

In 1956, the parliament of India passed an act known as The Khadi and Village Industries Commission Act (No. 61 of 1956, as amended by Act No. 12 of 1987 and Act No. 10 of 2006). Under this act “The Khadi and Village Industries Commission” (KVIC) as a statutory body was established. In April 1957, it took over the work of former All India Khadi and Village Industries Board. As per the act, the responsibilities of the KVIC were to train people who were interested in seeking employment in khadi and village industries; supply and manage raw material; promote the sale and marketing of khadi; provide financial assistance to institutions or persons engaged in the development and operation of khadi.

The information related to amount of Khadi Hundis which were sold is as below:

	1951-56	1956-61	1961-62	1962-63	1963-64
Khadi Hundis Sold in Rupees	250,000	368,000	154,000	108,000	135,000

Reference: Report of the Working Group on Khadi and Village Industries, 1965, Government of India, New Delhi, India

Khadi Hundis continued to be printed through at least the late 1960s.

Finding examples of Khadi Hundis printed prior to the early 1950s is extremely hard, because as per the Khadi Hundi guidelines, the cashed Hundis were to be destroyed immediately.

Khadi Hundis issued by “All India Khadi and Village Industries Board” and “The Khadi and Village Industries Commission” are cataloged.





Khadi Hundi: 100 Rupees: Front



Khadi Hundi: 100 Rupees: Back

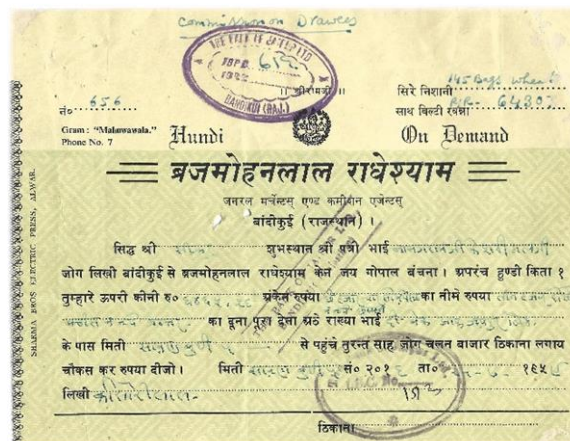
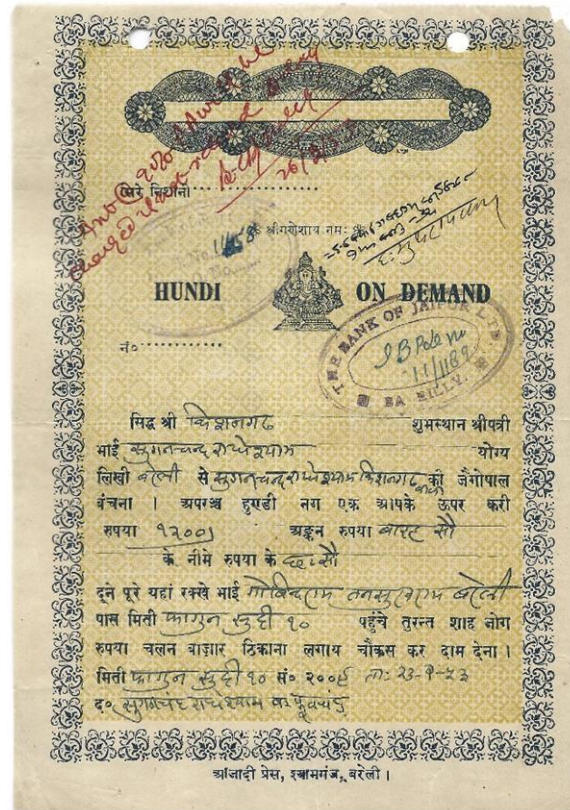
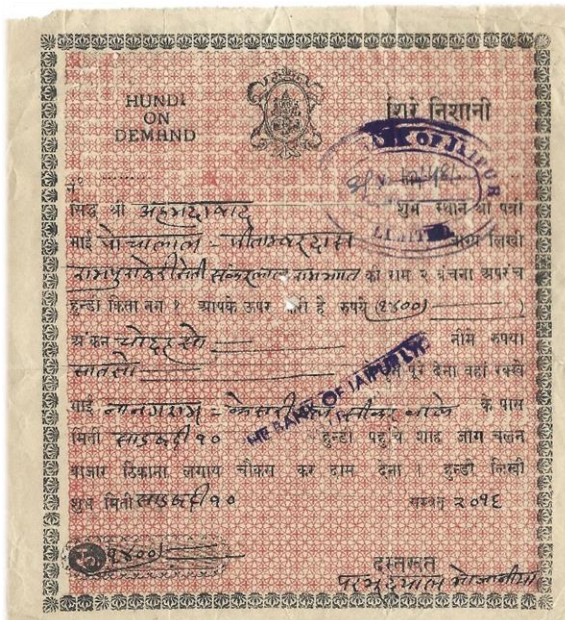
Private Darshani Hundis

In India, Hundis were continued to be used till at least 1989.

As per the Indian Stamp Act of 1899 amended by Act 5 of 1927, the entry related to “One Anna” stamp duty to be charged on Hundis “when payable on demand” was omitted. With this change, no stamp duty was charged on Darshani Hundis.

Many indigenous bankers pre-printed Hundis with their names and other details to speed-up the issuance of Hundis. Because of its extensive use, private Hundis come in a large variety. A few examples are shown.





Use of Hundis in Modern Financial Context

2

Hundis were very flexible financial instruments that continued to evolve over a long period of time to meet the changing needs of businesses and financial services required at any given time. We now use modern financial systems. As hundreds of years have gone by and the use of Hundis has been discontinued for decades, the impression we get is that using Hundis could be bewildering and very confusing. This section provides an analysis of Hundi usage compared to modern financial practices.

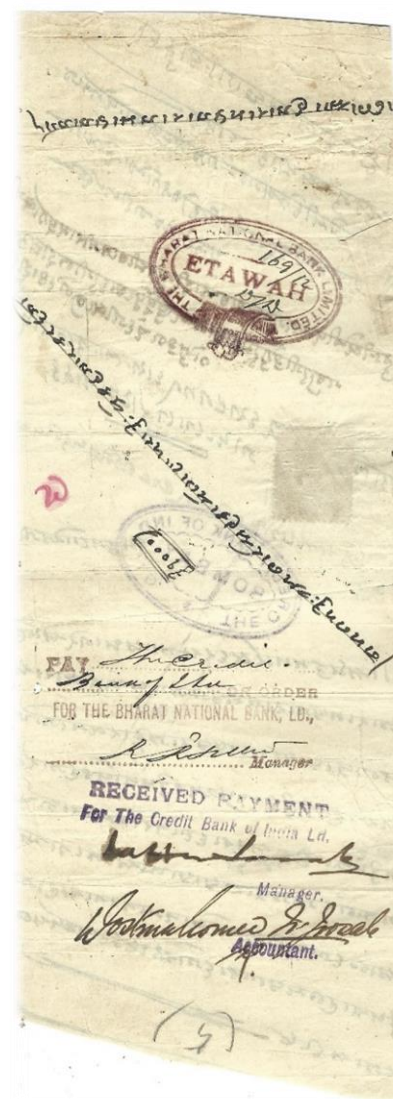
Below is a list of some of the uses of Hundis placed in a modern financial context:

1. Hundi Used as a Banknote
2. Hundi Used as a Bank Cheque
3. Hundi Used as an International Bill of Exchange
4. Hundi Used as a Domestic Bill of Exchange
5. Hundi Used as a Promissory Note
6. Hundi Used in Bill Discounting
7. Hundi Used for Government Treasury Transactions
8. Hundi Used as a Demand Draft



As per the modern definition, a *banknote* is a piece of paper constituting a central bank's promissory note to pay a stated sum to the bearer on demand. A banknote is a negotiable promissory note that one party can use to pay a specific amount of money to another party. A banknote is payable to the bearer on demand, and the amount payable is apparent on the face of the note.

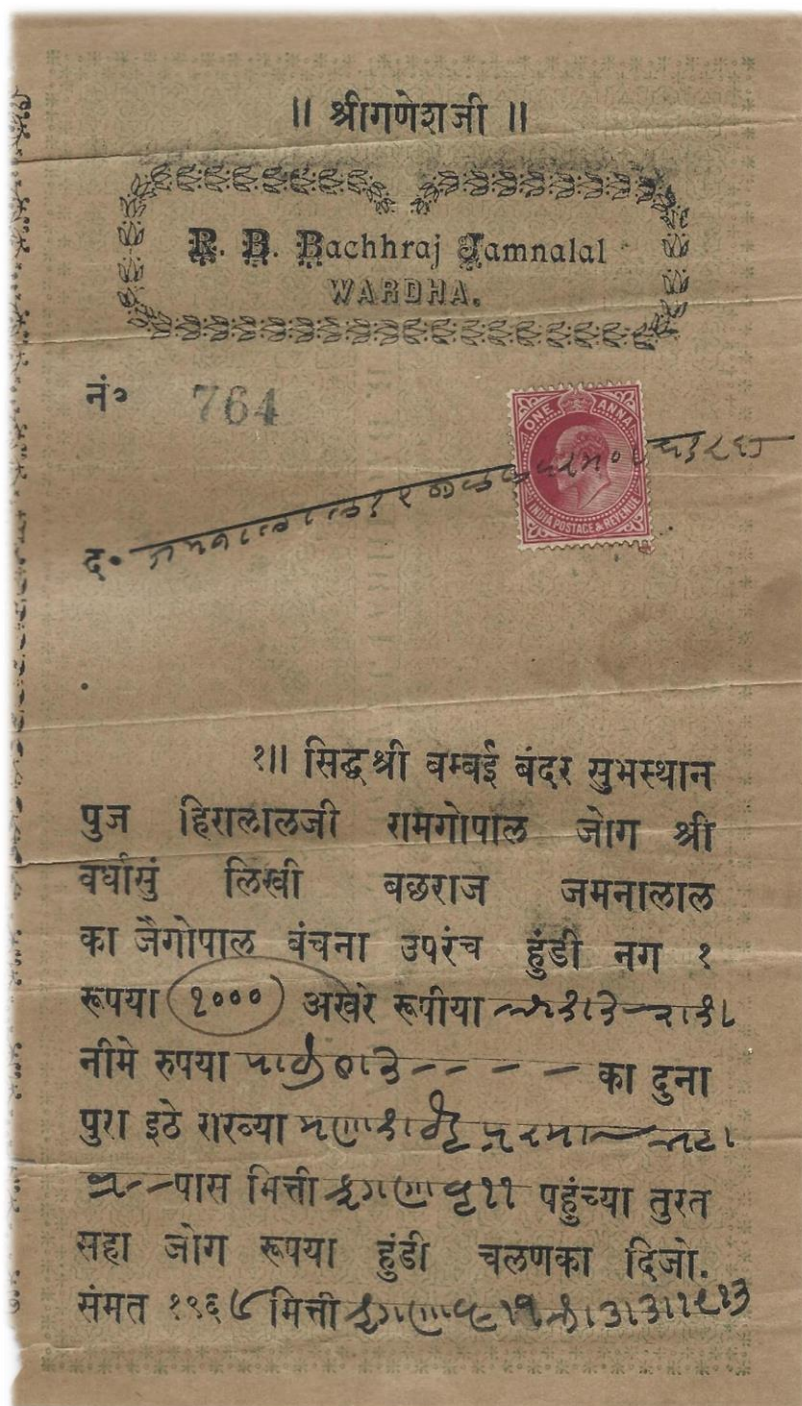
In concept, Darshani Hundis that were "Payable on Demand" acted like banknotes. Darshani Hundis were extensively used in India before the introduction of paper money. Below is an example of a Darshani Hundi for 1,000 rupees that has been transferred many times from one person to another, similar to a banknote, before reaching the Credit Bank of India, Bombay branch. Each time a Darshani Hundi changed hands, it was endorsed with a signature, which can clearly be seen on the below Hundi. Finally, a Darshani Hundi could be used to settle a debt or it could be closed by exchanging it for payment in copper, silver, or gold coins for the Hundi amount. It is interesting to note that all modern banknotes of today are fiat currency, which means they are backed only by sovereign guarantee instead of any silver or gold, and cannot be converted into anything else.



A Hundi was drawn by one merchant on another, asking the latter to pay the amount to a third merchant.

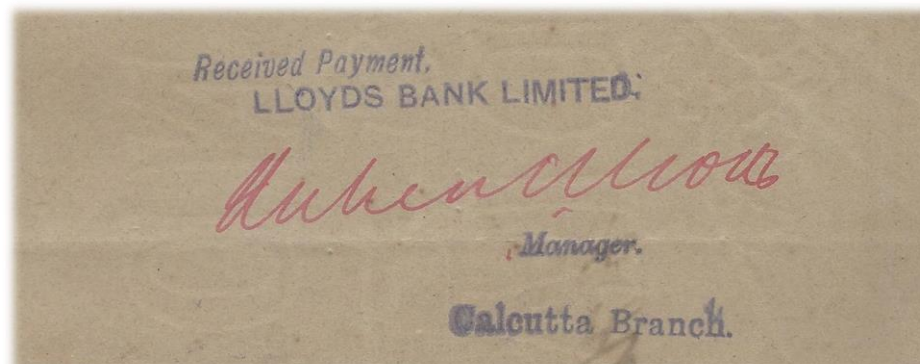
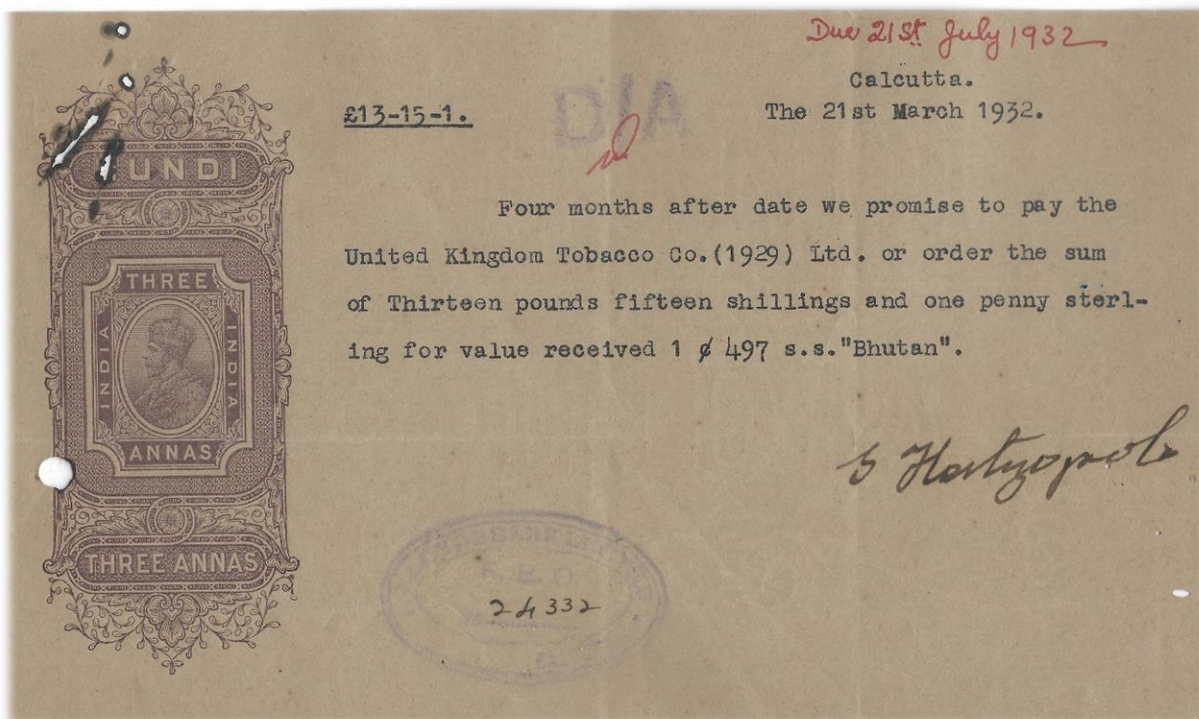
This is exactly like a modern cheque written by person X asking bank Y to pay the specified amount to person Z.

Below is an example of a Hundi from 1913 issued by Mr. R. B. Bachhraj Jamnalal Bajaj from the city of Wardha for 1,000 rupees and also signed by Mr. Jamnalal Bajaj.



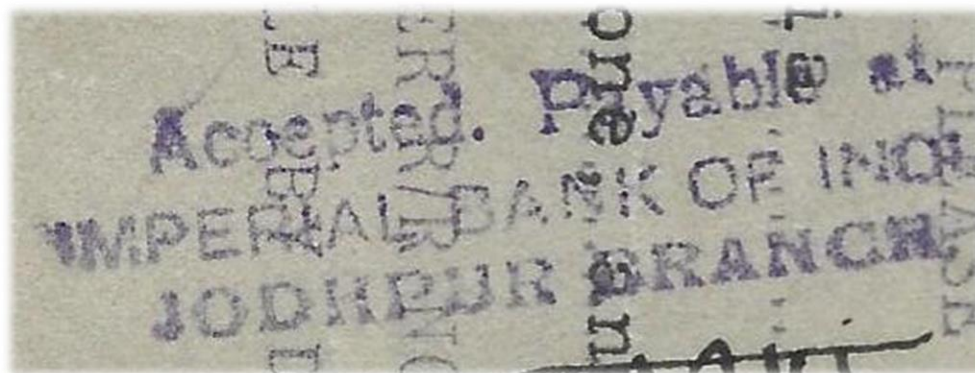
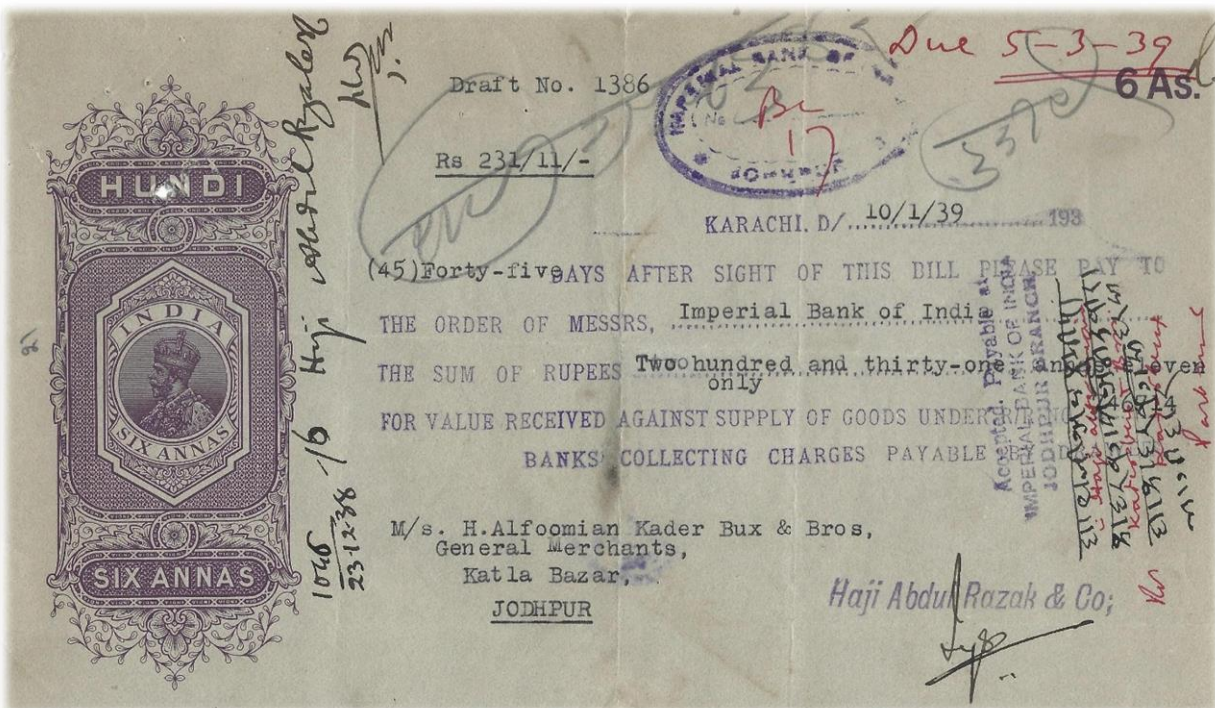
As per the modern definition, a *bill of exchange* is a written order used primarily in international trade that binds one party to pay a fixed sum of money to another party at a predetermined date. Unlike a check, however, a bill of exchange is a written document outlining a debtor's obligation to a creditor. It's frequently used in international trade to pay for goods or services. While a bill of exchange is not a contract itself, the involved parties can use it to fulfill the terms of a contract. They are often extended with credit terms, such as 90 days.

Below is an example of a Hundi that meets all the parameters of a modern Bill of Exchange. It was used for an international transaction between India and the United Kingdom for an amount of 13 pounds, 15 shillings, and 1 penny. The Hundi was written for the United Kingdom Tobacco Company Ltd., relating to the delivery of one tobacco chest number 497 from the SS *Bhutan*. The credit terms offered were for four months with the exact payment due date being 21 July 1932. On the back of the Hundi, a manager from Lloyds Bank's Calcutta branch has endorsed it after receiving the payment as per the terms of the Hundi.



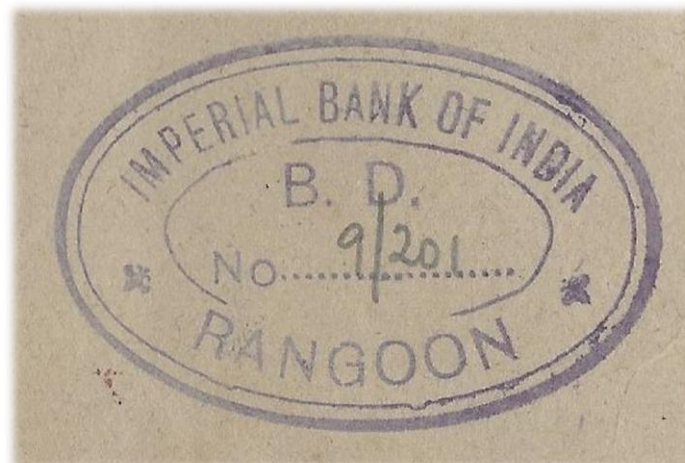
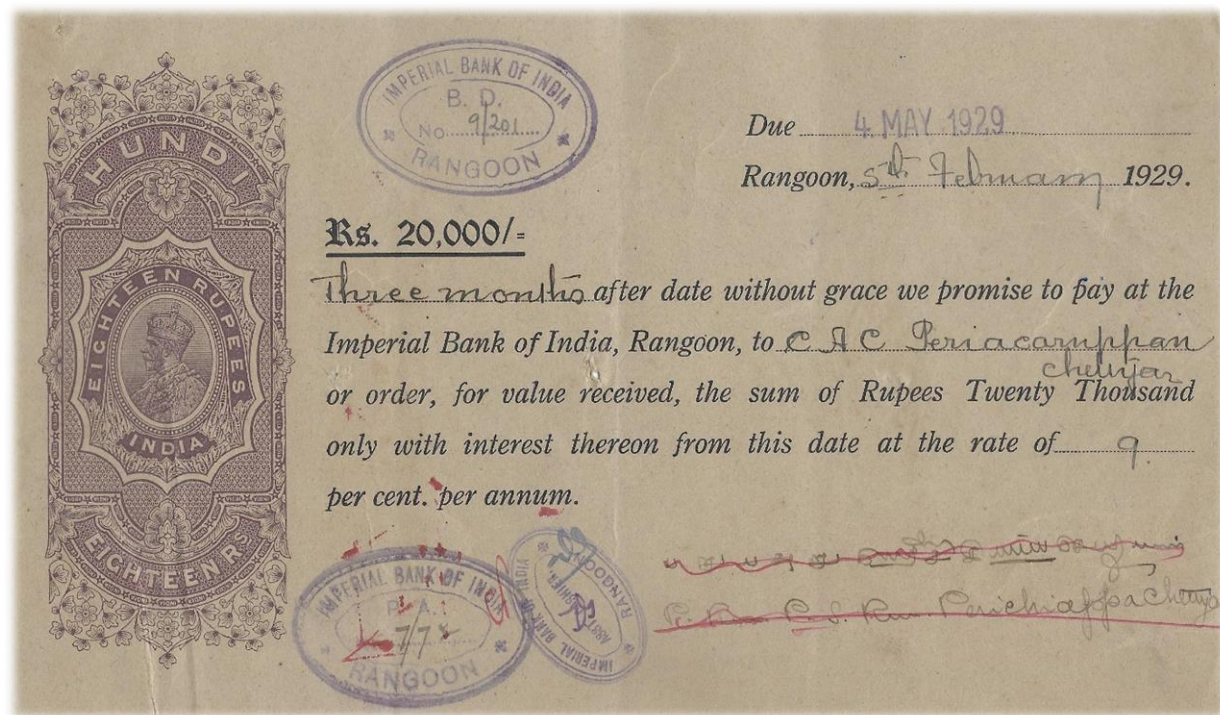
Hundis were also regularly used as a *domestic bill of exchange*.

Below is an example of a Hundi that meets all the parameters of a modern Bill of Exchange. It was used for a transaction between Haji Abdul Razak & Company of Karachi and H. Alfoomian Kadar Bux & Bros. of Jodhpur, dated 10 January 1939 for an amount of 231 rupees and 11 annas. The Hundi was written for the supply of goods. The credit terms offered were for 45 days with an exact payment due date of 5 March 1939. On the front, a manager from Imperial Bank of India's Jodhpur branch has endorsed it as per the terms of the Hundi.



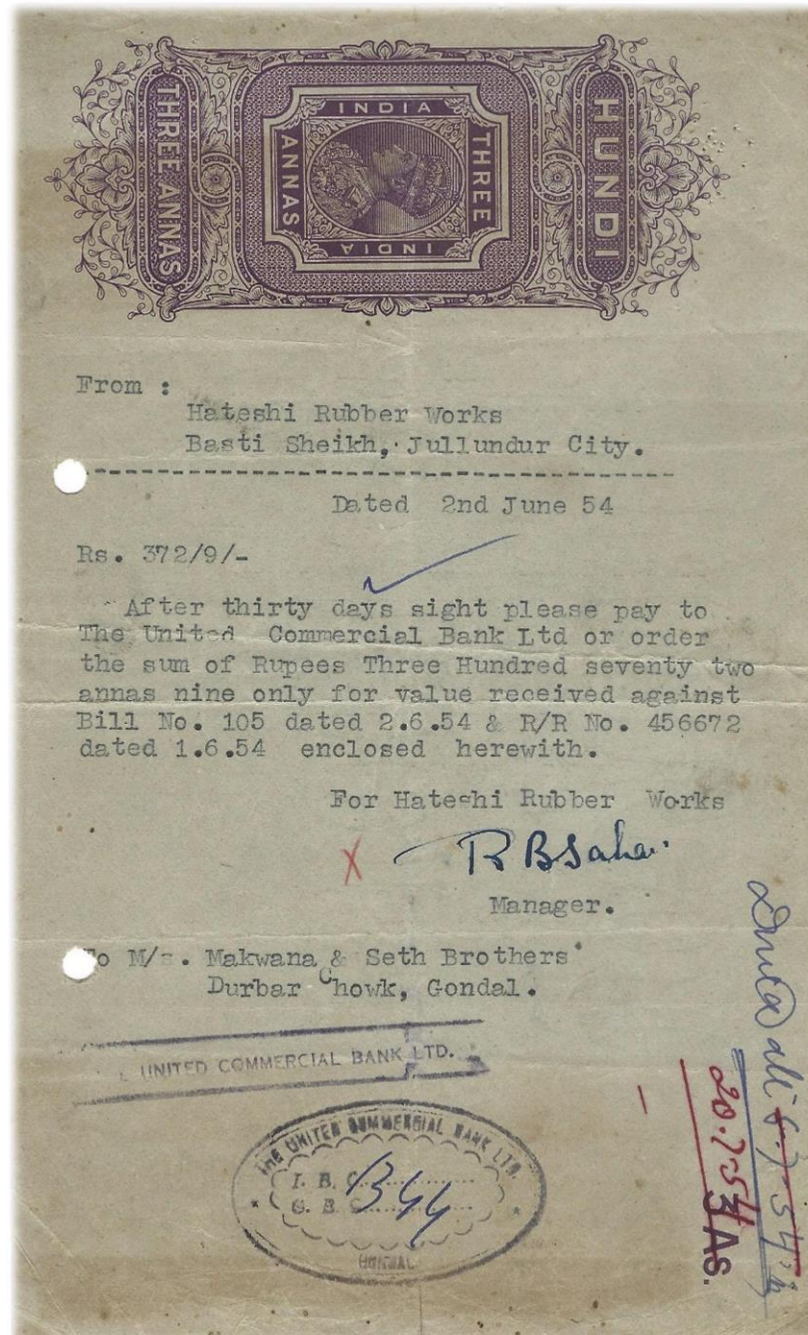
As per the modern definition, a *promissory note* is a financial instrument that contains a written promise by one party to pay another party a definite sum of money at a specified future date. A promissory note typically contains all of the terms pertaining to the indebtedness, such as the principal amount, interest rate, maturity date, date and place of issuance, and issuer's signature.

Below is an example of a Hundi that meets all the parameters of a modern Promissory Note. The Hundi was written in Rangoon, Burma on 5 February 1929. Mr. C. A. C. Periacaruppan Chettiar was to pay 20,000 rupees to the Imperial Bank of India, Rangoon branch, after three months, with exact payment due on 4 May 1929. The interest rate charged was 9 percent per annum. The Hundi is properly signed by the issuer and endorsed by the Imperial Bank of India.



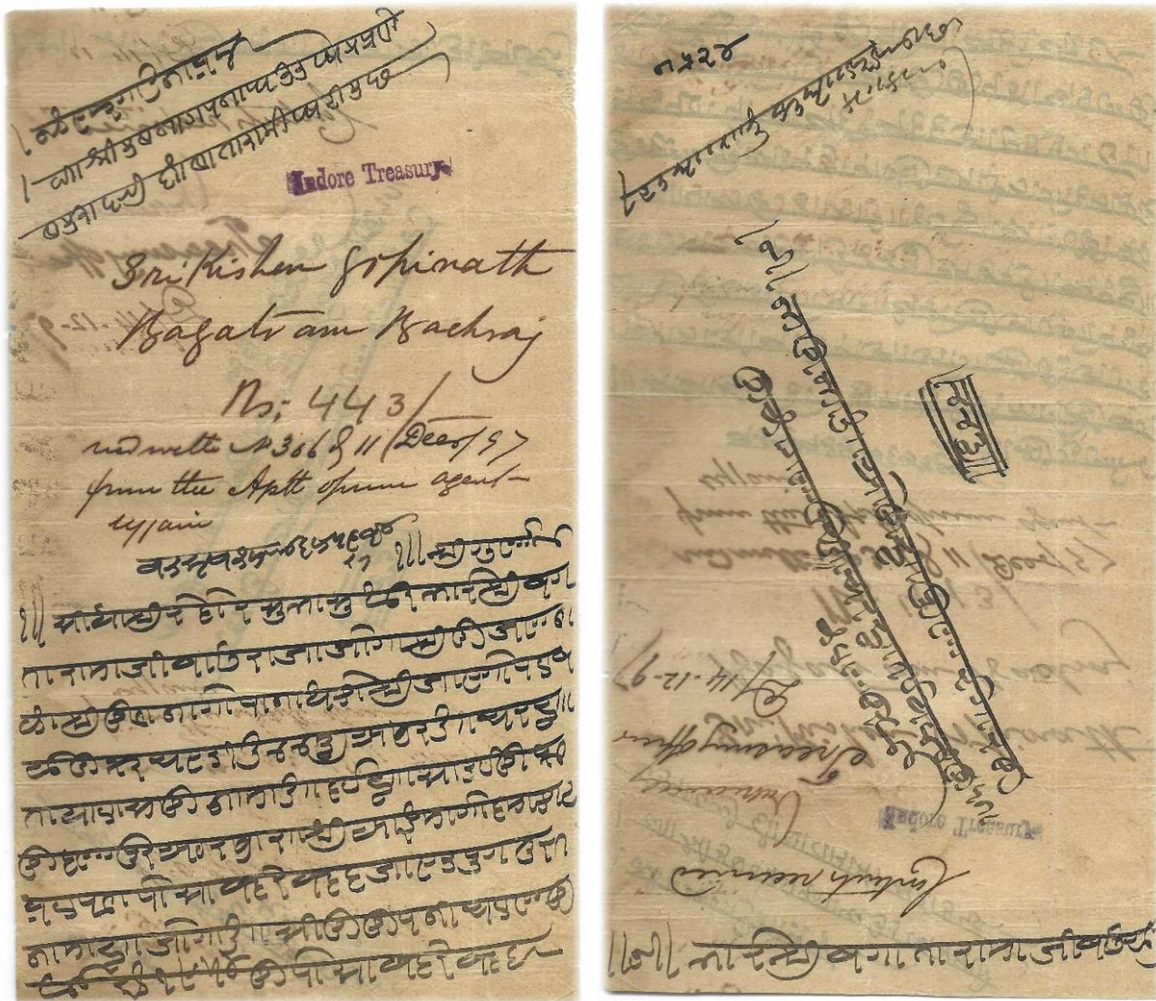
As per the modern definition, *bill discounting* is a trade-related activity in which a company sells its outstanding invoices to a financier (a bank or another financial institution) that agrees to pay for them at a future date. In bill discounting, the business discounts their outstanding invoices to gain access to short-term financial assistance and maintain their working capital.

Below is an example of a Hundi that meets all the parameters of modern Bill Discounting. This Hundi is dated 2 June 1954. A company called Hateshi Rubber Works of Jullundur City has sold an outstanding invoice of 372 rupees 9 annas to the United Commercial Bank. The term of the bill discounting is 30 days.



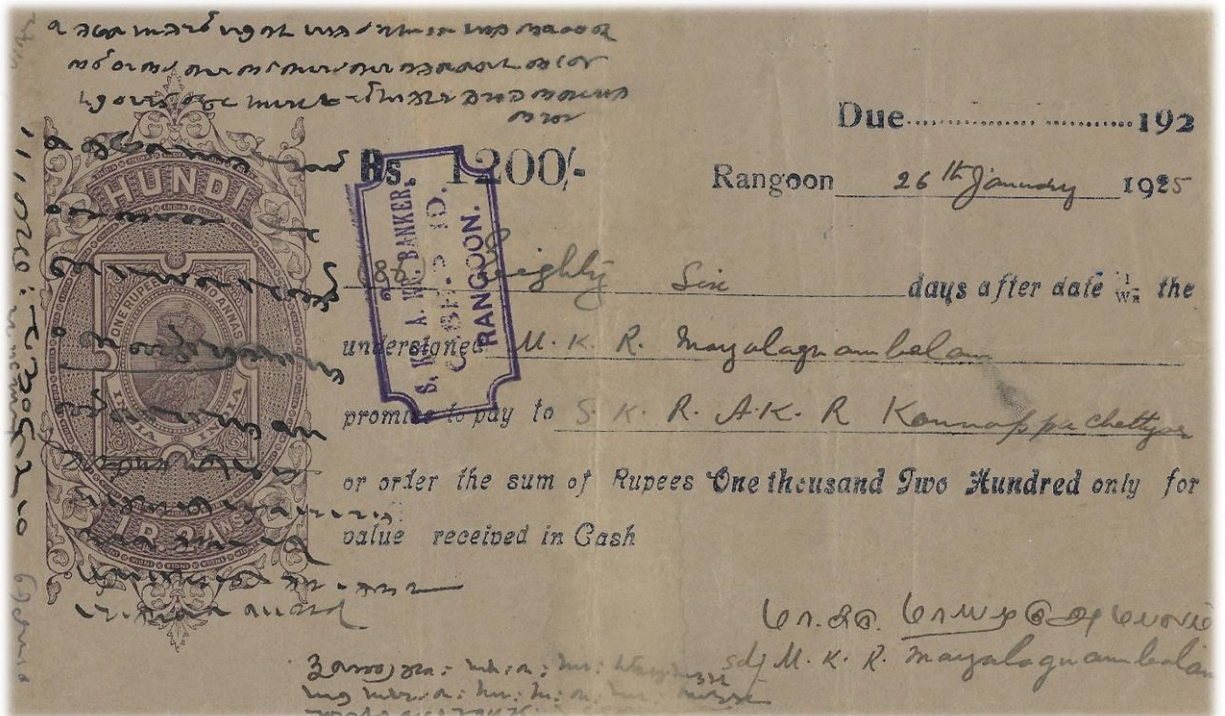
As you might expect, a large number of financial transactions relate to revenue-generation activities and payment distribution transactions performed by a government treasury department. In India, Hundis were one financial tool used by the state government for revenue collection and for the conduct of administration, and were an essential medium of payment.

Below is an example of a government treasury transaction for the state of Indore (also known as Holkar). Note the blue ink hand stamp of "Indore Treasury." The Hundi, numbered, 524 is dated Vikram Samvat 1954: 11 December 1897 by the Gregorian calendar. The Hundi is for payment of 443 rupees for appointing Srikrishna Gopinath Bagatram Bachraj as an Opium Agent with Opium Permit Number 366.



As per the modern definition of a *demand draft*, if a small business owner purchases products from another company on credit, the small business owner asks their bank to send a demand draft to the company for payment of the products, making them the drawer. The bank issues the draft, making it the drawee. After the draft matures, the owner of the other company brings the demand draft to their bank and collects payment, making them the payee.

Below is an example of a Hundi similar to a modern Demand Draft. This Hundi is dated 26 January 1925 from Rangoon, Burma. Cash of 1,200 rupees has been deposited and paid by the Hundi merchant named S. KR. A. KR. Banker of Rangoon. A commitment was made to repay the cash after 86 days.

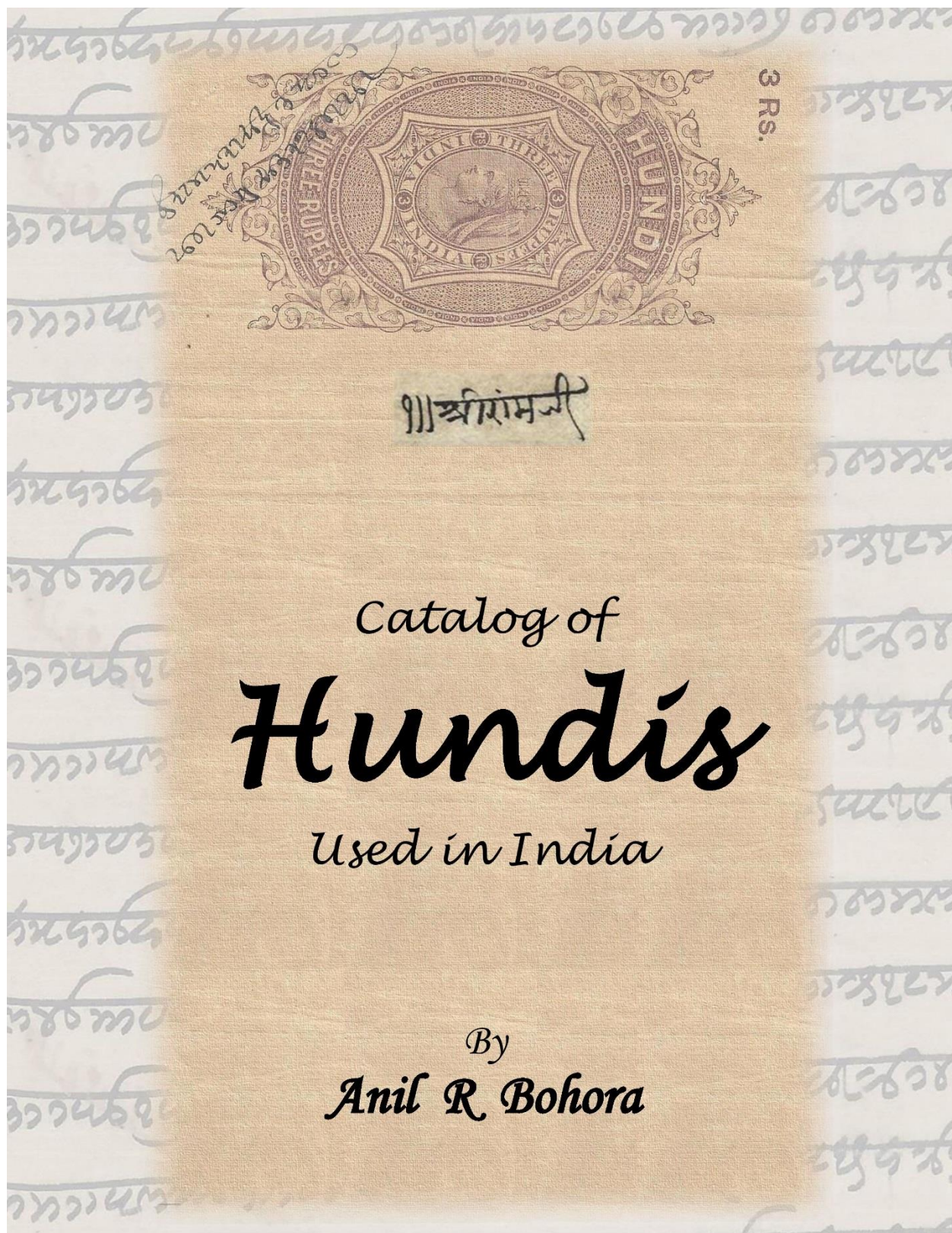


value received in Cash



1. Catalog of Hundis Used in India
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3. The Reserve Bank of India
https://www.rbi.org.in/scripts/ms_hundies.aspx
4. The Indian Stamp Act, 1899
5. Report of the Burma Provincial Banking Enquiry Committee, 1929-30
6. “Cashless Payment Mechanism in Mughal India: The Working of the Hundi Network” by Om Prakash, Delhi School of Economics
7. Report on Indigenous Negotiable Instruments (Hundis), 1978 by Banking Laws Committee, Government of India





The catalog can be purchased by sending an email to bohoraa@yahoo.com

Catalog of Hundis Used in India

“Catalog of Hundis Used in India” is the first book ever to exclusively focus on Hundis, which were a form of scrip used in India for quite a long time.

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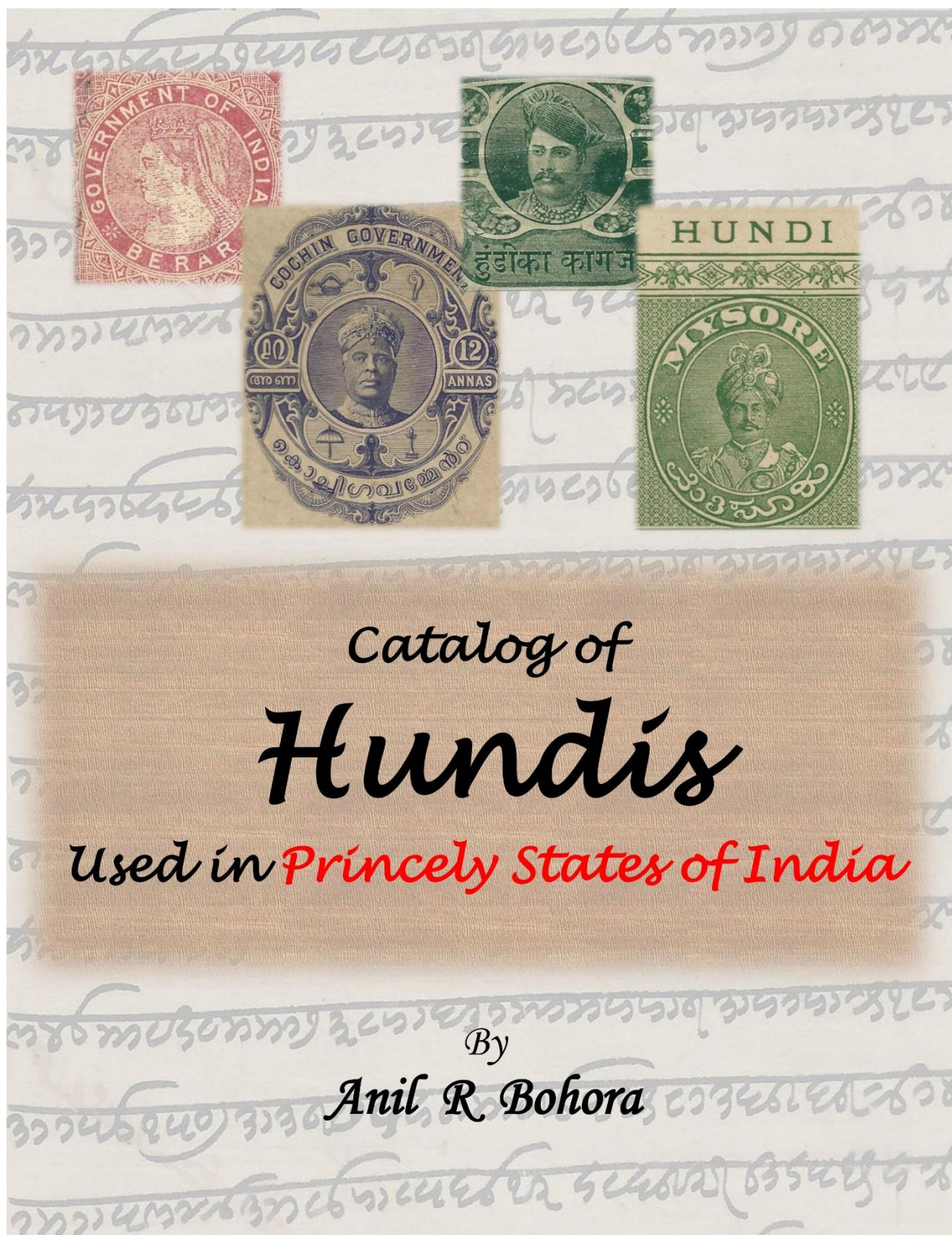
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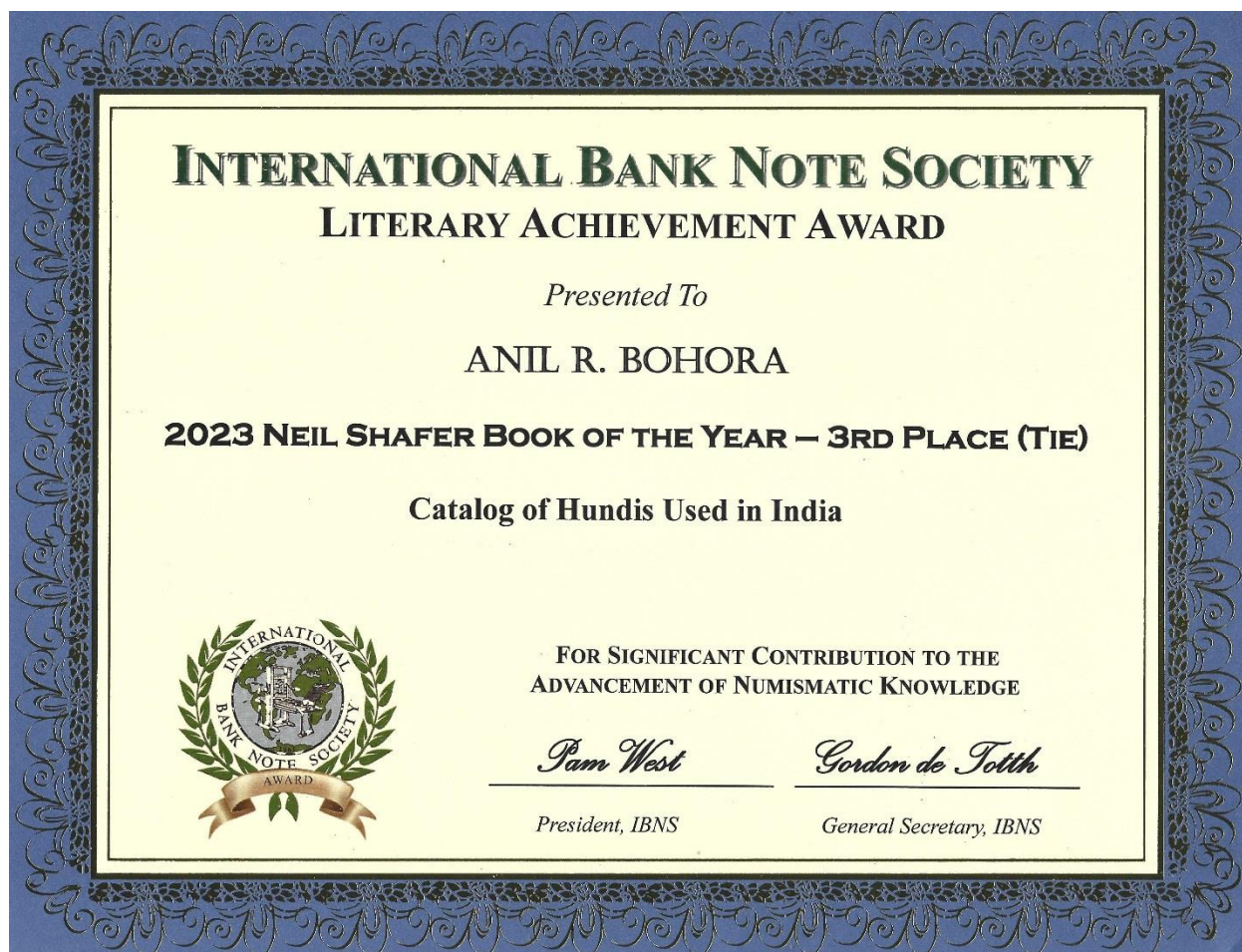
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